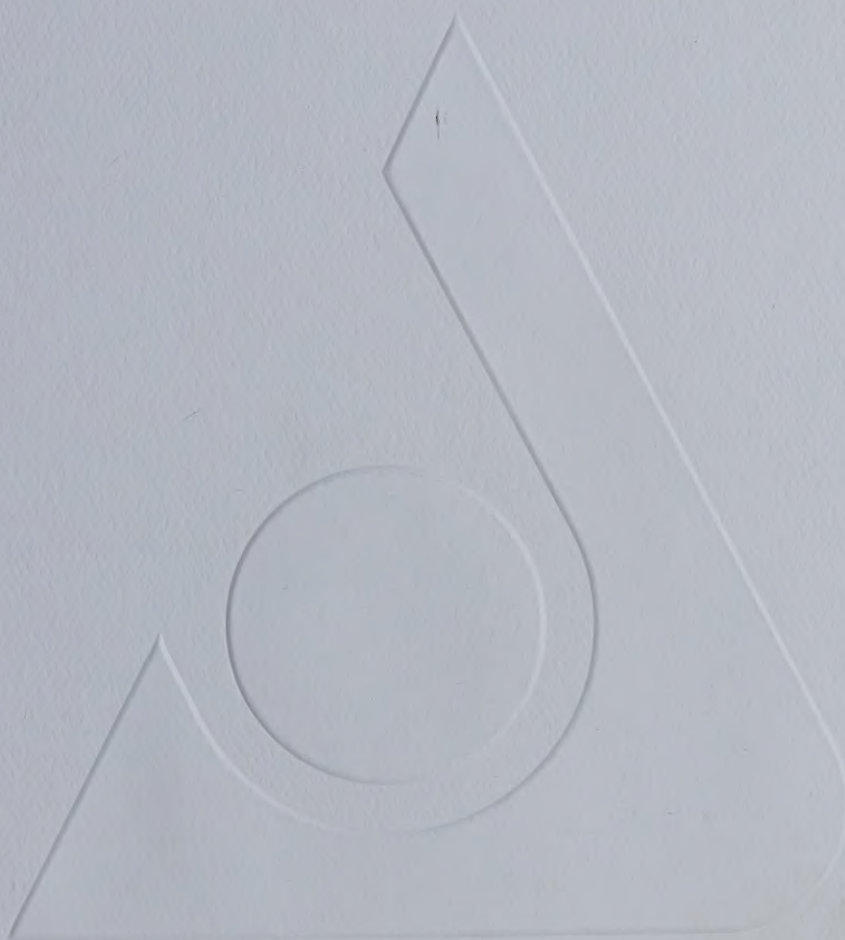


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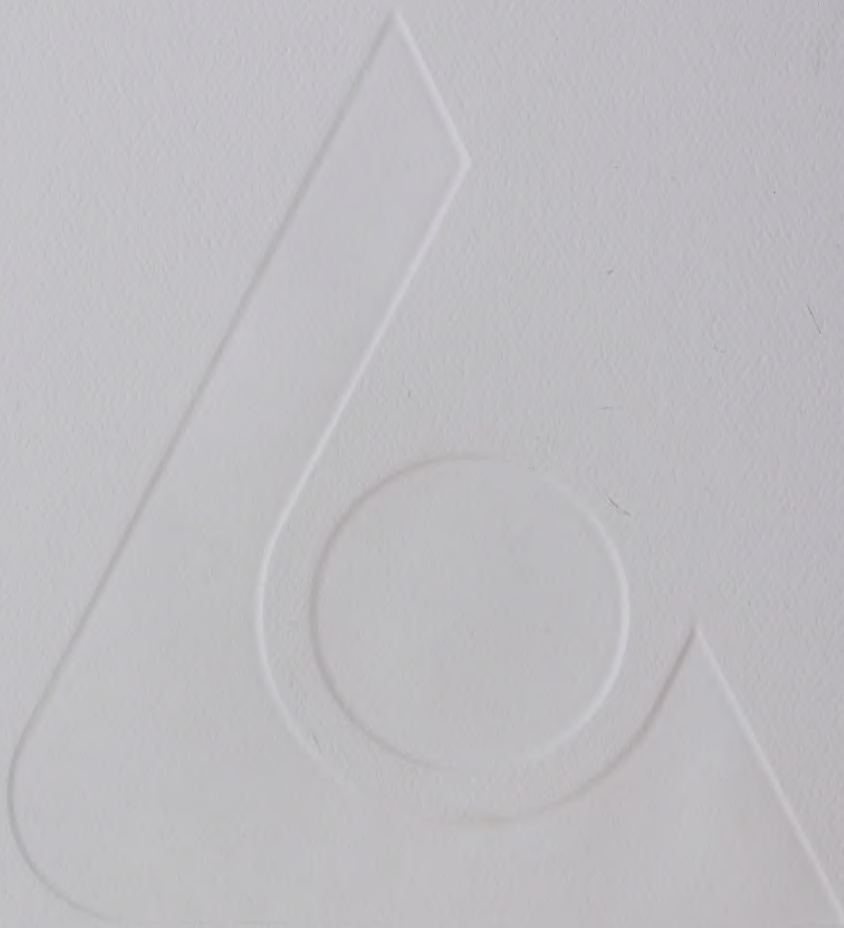
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NOVA CHEMICALS

ANNUAL REPORT | 2001



NOVA CHEMICALS



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FINANCIAL HIGHLIGHTS

	2001	2000	1999
(millions of U.S. dollars, except per share data and ratios)			
Revenue	3,194	3,916	2,808
Net income (loss) to common shareholders before unusual items ¹	(202)	287	124
Net income (loss) to common shareholders after unusual items ¹	(161)	266	217
Net income (loss) per share before unusual items ^{1,2}			
–basic	(2.37)	3.23	1.34
–diluted	(2.37)	3.06	1.32
Net income (loss) per share after unusual items ^{1,2}			
–basic	(1.88)	3.00	2.35
–diluted	(1.88)	2.84	2.26
Cash from operations	278	351	395
Plant, property and equipment additions	168	440	620
Total assets	4,359	4,754	4,559
Debt to total capitalization	48.5%	42.9%	43.7%
Return on average common equity ³	(16.5)%	21.2%	9.9%

¹ Unusual items were \$41 million in 2001, \$(21) million in 2000, and \$93 million in 1999 (see page 40 of the Management Discussion and Analysis for a complete listing).

² 85 million weighted average common shares outstanding in 2001 (89 million in 2000 and 93 million in 1999).

³ Net income (loss) to common shareholders before unusual items divided by average common equity excluding preferred securities and retractable preferred shares.

DEAR SHAREHOLDERS

Jeffrey M. Lipton
President and
Chief Executive Officer



I closed last year's letter by indicating that the last quarter of 2000 was the start of a difficult period for the chemical industry and our company. I also wrote, "Our employees are ready for the challenges in 2001 and the opportunities beyond."

2001 CHALLENGES AND RESULTS

Well, 2001 had more than its share of challenges, it proved to be one of the worst years our industry has experienced in a very long time. We were buffeted by the highest natural gas prices in history that made two-thirds of North American petrochemical production non-competitive for the first quarter of the year. Demand for our products, which had been declining since October 2000, fell very sharply due to both the global recession and an unprecedented reduction in worldwide inventories of plastic resins and products made from those resins. The events that began on September 11th sapped whatever confidence the industry and our customers had been developing and a very bad economic situation became even worse.

ETHYLENE AND POLYETHYLENE

NOVA Chemicals' difficult situation was compounded by two significant factors. We started up new and very large ethylene and polyethylene plants in Joffre, Alberta during the worst decline in demand we could imagine. By the third quarter when the polyethylene plant was commercialized, we were impacted by \$26 million per quarter of new fixed costs and depreciation. In addition, normal, off-grade startup production had to be sold into an extremely weak secondary marketplace at a large loss.

2001 PROVED TO BE ONE OF

THE WORST YEARS

OUR INDUSTRY HAS EXPERIENCED

IN A VERY LONG TIME.

STYRENE AND POLYSTYRENE

Our styrenics business also suffered from a unique dislocation. The series of acquisitions we've made each came with either capacity to manufacture, and/or contractual commitments to buy minimum quantities of styrene. As a consequence of this, and very weak polystyrene demand, we were forced to sell our excess styrene to spot buyers at very low prices.

SIGNIFICANT LOSSES

The combination of the new plant startups, our long styrene monomer position, and the very weak plastic resin market resulted in large operating losses, especially in the third and fourth quarters. The numbers speak for themselves. We lost \$202 million before unusual items in 2001.

Investors in commodity chemical companies are used to trough periods and significant losses. NOVA employees understand the inevitable cyclicity of our activities, but they know they can continue to improve our company even in the worst of times. It is clear that both investors and employees gave the company tremendous support during this very trying period.

STOCK PERFORMANCE

NOVA Chemicals' common stock was one of a very few in the chemical industry to actually increase in value during 2001. Our shares were up 9% in Canadian dollars (2% in U.S. dollars) for the year. Petrochemical peer stock prices declined 16% on average, none advanced. The S&P Chemicals Index was down 4%, the S&P 500 was down 13% and the TSE 300 was down 14%.

FINANCIAL STRENGTH

I believe there are three major reasons for the relative strength of our shares. First, we have demonstrated that we can emerge from this recession with our financial strength intact even if the downturn is deeper and longer than expected. We lost \$169 million in the second half of 2001. Despite that, we paid down \$67 million of debt during the period. We did this by reducing working capital by \$162 million and sharply cutting construction expenditures.

In addition, we identified four non-strategic assets that we planned on selling. The first sale was our share of the Cochin Pipeline. It closed in January 2002 for \$64 million. With one additional asset sale, we expect to generate \$300 to \$400 million of cash from non-operating sources in the first half of 2002. We have taken the necessary steps to assure liquidity and a strong balance sheet.

WE HAVE TAKEN THE NECESSARY

STEPS TO ASSURE LIQUIDITY

AND A STRONG BALANCE SHEET.

IMPROVED COMPETITIVE POSITION

The second major factor influencing the price of our stock is the highly visible improvement of our competitive position in both of our businesses. Our new ethylene plant at Joffre has outperformed expectations and positions us as the lowest-cost producer on the continent.

The new Advanced SCLAIRTECH technology polyethylene plant has started up well, has proven its ability to operate at rated capacity and is producing high-value, high-margin growth products that meet or exceed projected quality levels.

The styrenics business has completed the introduction of a number of unique high-margin, high-growth polymer products that have the potential to change the competitive dynamics of the marketplace. These products are described thoroughly on pages 12 to 15 of this report. The new polystyrene resins are exciting for our customers interested in cost reduction and product innovation. Their effective commercialization will have a very positive impact on our profitability.

All of the new polystyrene products can be made at high volumes on existing production lines. As a consequence, they require very little capital investment to develop. Their introduction is doubly valuable, as we will not only benefit from their high margins, but also will drop our worst-performing products and our lowest-margin accounts.

UPSIDE LEVERAGE

The third important factor in NOVA Chemicals' common stock valuation is the leverage investors get because of our tight focus on just a few products. This leverage hurts performance in a downturn because our product line is not diverse enough to deliver offsets to plunging resin volumes and prices. On the other hand, once investors are convinced the bottom has been defined, they begin to value our stock on the basis of the anticipated cyclical upswing. NOVA Chemicals' upside potential is actually expanded by the things that hurt so much in 2001.

NEW ETHYLENE AND POLYETHYLENE CAPACITY

Our new ethylene and polyethylene plants have added to our cost structure, but have been underutilized since they started up. As market demand improves, fixed costs will stay relatively constant; but revenue and total margins will increase substantially.

STYRENICS TURNAROUND

The current excess supply of styrene monomer has resulted in very low prices throughout the world. Roughly one-third of the world styrenic polymer production capacity relies on spot styrene purchases. Today, spot prices are much lower than contract levels. The spot styrene buyers, mainly Asian companies, are selling polystyrene products in North America and Europe at very low prices and taking business away from local producers. However, when styrene supply/demand comes into balance and then shifts to the suppliers' favor, spot buyers of styrene will likely have to pay a premium price. If that happens they can no longer manufacture polymer competitively and have to withdraw from many polystyrene markets.

We, and most analysts, expect this shift in supply/demand balance to occur in 2003, or at the latest, 2004. When it occurs, NOVA Chemicals' long styrene position will become a powerful profit generator and our very large polystyrene position will also shift to a much more profitable level.

OUR JOFFRE ETHYLENE PLANT

OUTPERFORMED EXPECTATIONS AND

POSITIONS US AS THE LOWEST-COST

PRODUCER ON THE CONTINENT.

NOVA CHEMICALS' UPSIDE

POTENTIAL IS ACTUALLY

EXPANDED BY THE THINGS THAT

HURT US IN 2001.

MORE UPSIDE PER DOLLAR INVESTED

Investors can see that the two factors that caused our poor earnings performance in 2001 will give us strong profit improvement when the business cycle turns. In addition, there is another very large component of leverage that is apparent to investors. Our company is focused on two product chains that are expected to strengthen somewhat sooner than many other chemicals. NOVA Chemicals sells significantly more pounds of these two product lines, per share, than any other publicly traded North American chemical company. As shown in the chart on page 25, NOVA Chemicals gives investors more than twice as much leverage to improvements in ethylene/polyethylene and styrene/polystyrene than any of our peers.

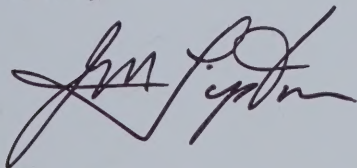
OUR FUTURE

Our company has been through a long and difficult downturn. We are not sure when the cycle will turn, but we have demonstrated the focus and actions that should provide confidence in our future. We have the financial resources and commitment to cash generation and debt reduction necessary to work through a prolonged recession. We continue to drive down costs, improve employee and capital productivity, and develop the high-margin growth products necessary to ensure we will earn very substantial returns when the market improves. Our tight focus, and recent investments in new capacity and highly productive research and development, provide tremendous leverage for investors.

We also remain committed to the open, clear, and transparent communication of our financial data, business strategy, and tactics, necessary to maintain employee and investor trust during difficult times.

I sincerely appreciate our employees' dedication and commitment to continually improve our business even in the worst of times, our Board of Directors' unflinching support, and our investors' willingness to stick with us during 2001. I thank all of you and remain highly confident that NOVA Chemicals will deliver on its substantial potential and generate outstanding returns for our shareholders.

Sincerely,



Jeffrey M. Lipton

President and Chief Executive Officer

February 15, 2002

OUR TIGHT FOCUS, AND RECENT

INVESTMENTS IN NEW CAPACITY

AND RESEARCH AND DEVELOPMENT,

PROVIDE TREMENDOUS

LEVERAGE FOR OUR INVESTORS.

2001 ACHIEVEMENT SUMMARY

BASED ON NOVA CHEMICALS' FIVE-POINT BUSINESS STRATEGY

FOCUS ON COMMODITY CHEMICALS

- We identified and began to liquidate a group of non-strategic assets. We sold our interest in the Cochin Pipeline (January 2002) for \$64 million and have used the proceeds to pay down debt. This, plus our focus on working capital reductions, has enabled NOVA Chemicals to sustain its investment grade credit rating.

BE THE LOW-COST PROVIDER

- We continued to pursue year-over-year fixed cost reductions and achieved a 7% reduction per pound of capacity from 2000 levels.
- We eliminated approximately 140 positions, including a 20% reduction in our executive and senior management teams, and implemented a new shared-services operating approach to further reduce costs and increase efficiency.
- We achieved after-tax gains of \$55 million through feedstock hedging activities — ensuring we remain North America's lowest-cost ethylene producer.

INVEST ONLY FOR HIGH RETURNS

- We reduced capital spending by 62% to \$168 million and continue to fund only those projects that meet our Responsible Care objectives or minimum return targets.
- We successfully commissioned our new Advanced SCLAIRTECH™ technology facility at Joffre, Alberta, currently the largest ethylene/polyethylene production complex in the world. We demonstrated full-rated capacity, and sold 188 mmilbs of these new-technology resins.

BUILD UPON AND ADD TO OUR SUSTAINABLE COMPETITIVE ADVANTAGE

- We entered into a joint venture with BP Amoco (BP) to develop and commercialize Ziegler-Natta catalysts, including NOVA Chemicals' NOVACAT™ T advanced catalysts for gas-phase polyethylene processes.
- We developed and commercialized eight new styrenics products and produced six new polyethylene grades using Advanced SCLAIRTECH technology. These new products will allow us to significantly increase operating margins.

BE AN INDUSTRY CONSOLIDATOR

- We permanently closed our highest-cost polystyrene facility in Joliet, Illinois, removing 230 mmilbs of capacity.
- We remained on target with two-year, after-tax savings of \$13 million related to the Royal Dutch/Shell Group (Shell) acquisition synergies.

"I'M CONFIDENT OUR FOCUS, OUR
TALENT AND OUR STRAIGHT-FORWARD
STRATEGY COMBINED WITH OUR
ALBERTA ADVANTAGE AND THE SCALE
WE HAVE IN THE PLANTS AND
BUSINESSES WE WORK IN WILL NOT
ONLY ALLOW US TO COMPETE IN
TODAY'S CHEMICAL INDUSTRY,
BUT WILL ALSO ALLOW
US TO CONTINUE TO EXCEL."

Jeffrey M. Lipton

2000 Letter to Shareholders



WORLDWIDE FACILITIES

NORTH AMERICA

BAYPORT, TEXAS
1250 mmlbs styrene

BELPRE, OHIO
480 mmlbs SPS

CALGARY, ALBERTA
▪ NOVA Chemicals Research and Technology Center
▪ NOVA Chemicals Technical Center

CHANNELVIEW, TEXAS
400 mmlbs styrene
(equity participation)

CHESAPEAKE, VIRGINIA
400 mmlbs SPS and HPS
▪ High Performance Styrenics Technology Center

CORUNNA, ONTARIO
1600 mmlbs ethylene
4300 mmlbs co-products

DECATUR, ALABAMA
395 mmlbs SPS

JOFFRE, ALBERTA
4950 mmlbs ethylene
1310 mmlbs LLDPE (PE1)
850 mmlbs LLDPE and HDPE (PE2)
770 mmlbs co-products

MONACA, PENNSYLVANIA
405 mmlbs EPS and HPS
▪ Styrenics Technology Center

MONTREAL, QUEBEC
130 mmlbs SPS

MOORE TOWNSHIP, ONTARIO
505 mmlbs HDPE
325 mmlbs LDPE

PAINESVILLE, OHIO
85 mmlbs EPS

SARNIA, ONTARIO
950 mmlbs styrene

SPRINGFIELD, MASSACHUSETTS
330 mmlbs SPS and HPS

ST. CLAIR RIVER, ONTARIO
610 mmlbs LLDPE and HDPE

EUROPE

BERRE, FRANCE
140 mmlbs EPS

BREDA, THE NETHERLANDS
265 mmlbs SPS
200 mmlbs EPS
▪ European Styrenics Technology Center

CARRINGTON, ENGLAND
400 mmlbs SPS
155 mmlbs EPS

RIBÉCOURT, FRANCE
200 mmlbs EPS



mmlbs millions of pounds
HDPE high-density polyethylene
LDPE low-density polyethylene
LLDPE linear low-density polyethylene
EPS expandable polystyrene
HPS high performance styrenics
SPS solid polystyrene

OLEFINS AND POLYOLEFINS BUSINESS



Joffre, Alberta manufacturing site.

New and efficient, large-scale petrochemical facilities and a sustainable feedstock advantage are the hallmark of our Olefins and Polyolefins business. We are highly focused to deliver ethylene and polyethylene products to customers around the globe with precision marketing and a diverse product mix.

Four manufacturing sites across Canada provide the capability to produce 6.6 billion pounds of ethylene and 3.6 billion pounds of polyethylene resins per year. NOVA Chemicals is the fifth largest olefins/polyolefins producer in North America and one of the top ten in the world.

Our polyethylene resins are found in a wide range of products—from everyday household items to large-scale industrial applications. Here are just a few examples: grocery bags, garbage bags and shrink wrap are made from our Linear Low-Density Polyethylene (LLDPE). Low-Density Polyethylene (LDPE) is used in squeezable bottles, foam packaging and cable insulation. Our High-Density Polyethylene (HDPE) is found in industrial drums and children's toys. Soon, our Very Low-Density Polyethylene (VLDPE) will make its way onto store shelves in the form of "boil-in" packaging for rice, soup and pasta products.

As a global supplier, NOVA Chemicals made great strides advancing polyethylene processing technology in 2001. It was a breakthrough year for our new Advanced SCLAIRTECH™ technology facility at Joffre, Alberta. This new facility employs a unique dual-reactor, single and multiple catalyst process that produces resins with an excellent balance of properties. This advanced technology also allows us to tailor products to meet the specific needs of our customers, with minimal transition time when switching between grades.

Full commissioning of our new polyethylene plant began in the spring of 2001 and was the final phase of the Joffre expansion project. In the fall, we introduced the first HDPE molding grades and general-purpose LLDPE film grades to the market. By the end of 2001, six new grades of polyethylene from our Advanced SCLAIRTECH technology facility were sold in commercial quantities. These resins provide improved process efficiencies for our customers and will help us gain access into premium markets and new applications.

Advanced SCLAIRTECH technology opens doors of opportunity for NOVA Chemicals to grow and strengthen our polyethylene business. Beyond producing quality resins, we are revitalizing our global licensing effort. We believe that the licensing possibilities of these leading-edge polyethylene and proprietary catalyst technologies should grow as the market continues to demand higher performing products.



Manufacturing control room.

Polyethylene resins from Advanced SCLAIRTECH technology.





This is not your standard supply chain — this is a partnership. J.C. Brown generates the ideas, and relies on Carl Van Gilst to make it happen. NOVA Chemicals supplies the HDPE resins. These two gentlemen develop numerous proprietary applications, such as high-impact barriers used by the U.S. military.

With security considerations at a peak, military suppliers find their products in high demand. Creative Building Products supplies several branches of the U.S. Armed Forces with the high-impact barriers shown here. These barriers have been carefully engineered and molded by Behlen Engineered Plastics, using resins made from Advanced SCLAIRTECH technology. In fact, 185 pounds of NOVA Chemicals resins are used in each barrier.

During rigorous testing, the barriers demonstrated their strength by withstanding explosive blasts, machine gun fire, grenade detonation and high-speed vehicle collision. With Advanced SCLAIRTECH technology resins, Behlen has the flexibility to provide barriers in a variety of colors, sizes and strengths — meeting the needs of both Creative Building Products and the U.S. military.

J.C. Brown, President, Creative Building Products (left),
Carl Van Gilst, Senior Vice President, Behlen Engineered Plastics (right)

APPLICATIONS

Imagine the puncture force of a killer whale's teeth or the strength of a black bear's paw. NOVA Chemicals' technicians did just that when developing HDPE resins for use in zoo toys. The high-impact strength these resins provide allows animals to play for as long and as rough as they want. But animals are

not the only ones testing Advanced SCLAIRTECH technology molding resins. A variety of children's toys, such as sandboxes, tricycles and art easels, are proving they can withstand the punishment of any toddler.

With an outstanding balance of strength and stiffness, these resins also cater to industrial applications. Tank and container manufacturers

are able to produce a variety of products more efficiently. NOVA Chemicals can adapt to their rapidly changing needs by tailoring resins to meet application requirements. When producing PE resins using our Advanced SCLAIRTECH technology, we have minimal transition time when switching between grades—allowing us to deliver resins more quickly to our customers.

Our historical presence in these various molding markets will allow us to sell 15-20% of our Advanced SCLAIRTECH technology PE capacity into a variety of high-growth markets.

MOLDING



To pressure pipe manufacturers, nothing is more important than strength. That is why NOVA Chemicals supplies its customers with resins that can withstand enormous amounts of stress. When producing HDPE resins used specifically for pressure pipe applications, NOVA Chemicals must meet the complex regulations imposed by governments around the globe, as well as the processing requirements set by our customers. We take pride in our stringent efforts to meet the demands of both.

Pressure pipe is used mainly for the distribution of gas and water. Pipes produced with our resins consistently withstand the harsh and extreme weather conditions that fluctuate between regions and continents. They achieve excellent results in pressure ratings,

environmental stress crack resistance (ESCR) and melt strength. Pipe manufacturers receive added benefit from our resins' superior processability.

NOVA Chemicals holds 25% of the pipe market, with a capacity to produce more than 300 million pounds annually. From U-liners to water pipe to sandwich pipe, NOVA Chemicals delivers resins with high value and performance.

EXTRUSION



FILM



NOVA Chemicals' high-performance film resins, produced with Advanced SCLAIRTECH technology, take food packaging to a new level. Films made from our new resins keep food freshness and flavor in and everything else out.

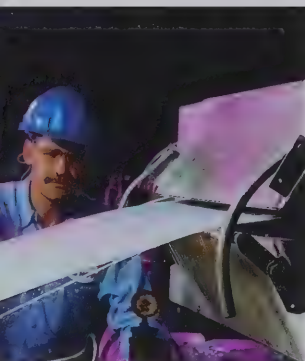
Test results show our resins produce films with enhanced tear strength and puncture resistance at faster extrusion speeds and demonstrate excellent performance in both food packaging and industrial applications. This means our customers can produce more of their product at a faster rate, giving them increased volume without increasing operating rates. And with impeccable clarity, films made from

Advanced SCLAIRTECH technology offer consumers a clear view of their purchases.

Soon to be commercialized is another line of performance film resins for specialized food packaging. These resins will allow consumers to take their pre-packaged food items from the store shelf to the stovetop. Demand for flexible-packaging resins is expected to exceed 1 billion pounds by 2004. Our projected market share of these resins—including our Advanced SCLAIRTECH technology performance grades—will approach 20%.



Styrenics Technology Center in Breda, the Netherlands.



Solid polystyrene strand drying process.



ZYNTAR ignition-retardant resins.

STYRENICS BUSINESS

With two acquisitions during the last three years, NOVA Chemicals' Styrenics business doubled in size—making us one of the largest and broadest styrenics producers in the world. We are now poised to utilize our large scale in styrene and polystyrene to take advantage of anticipated market improvement and deliver strong value to our shareholders.

NOVA Chemicals' Styrenics business ranks number one for production capacity in North America and is in the top five worldwide. Eleven manufacturing sites throughout Europe and North America produce nearly 3.6 billion pounds of styrenic polymers, including solid polystyrene (SPS), expandable polystyrene (EPS) and high performance styrenic copolymers (HPS), with three other sites producing 2.6 billion pounds of styrene monomer annually.

Styrene is the primary raw material in SPS, which is used to produce thousands of consumer items, such as CD and DVD cases, food and cosmetic packaging, medical devices, and office accessories. EPS is used in construction materials, foam cups and food packaging. Our HPS copolymers have unique product attributes required in demanding applications, such as children's car seats, safety devices, television cabinets and other electronics.

The styrenics industry has a history of being extremely competitive while providing very little innovation. In 2001, NOVA Chemicals set the stage for change. The opening of our new technology center in Breda, the Netherlands was an important step in transforming the shape of our Styrenics business. By increasing our capability and resources, we have improved our ability to develop innovative products and processes for our customers and their end-users.

We combined process and product technology, along with the intellectual capital of ARCO Chemical Company, Huntsman Corporation, Shell and NOVA Chemicals, to create a concentrated technology growth effort, and launched a strategy focusing on six styrenic product areas: FX Solid polystyrene, NAS® and ZYLAR®, ZYNTAR™, ULTRA LOW™ Pentane EPS, DYLLITE® and ARCEL®. Our goal is to offer molders and processors advanced performance and processing advantages at an attractive total cost, while delivering value to our shareholders.

In 2001, NOVA Chemicals announced the development of ULTRA LOW Pentane EPS technology. It will allow us to produce EPS with 50% less pentane than standard grades and 25% less pentane than other low-pentane EPS grades, with no sacrifice in product properties. In the U.S., demand for these resins is expected to double during the next five years as government air standards become stricter.

DYLLITE is the leading resin used in a rapidly growing global EPS cup and container market. In 2001, NOVA Chemicals made several major process improvements and converted a portion of its existing commodity EPS capacity to premium DYLLITE cup and container bead production.

With these products, and those featured on the following pages, our Styrenics business is positioned to meet the ever-changing needs of our customer.



HP entrusts the protection of many of its high-value Laser Jet printers to ARCEL resin packaging. ARCEL is a high-performance styrenic foam interpolymer used in a variety of demanding applications. Lou Gregorek, HP Packaging Engineer, states, "With more and more 'uncontrolled' overnight shipments from Internet orders, we need to be sure that our printers arrive safely, without any damage. Since using ARCEL resins for our packaging, we've had substantially fewer complaints and returns from our customers. Protective packaging made from ARCEL resins allows our printers to withstand repeated delivery abuse with reduced degradation of the cushions."

"Most consumers are initially influenced by the appearance of the package or what is called 'out-of-box experience'. Products shipped in packaging made from ARCEL resins will most likely increase the customer's perception." Lou goes on to say, "Each one of us plays the part of consumer everyday, and we know how demanding we can be." With that in mind, the engineers at HP see a variety of future packaging applications for ARCEL resins.

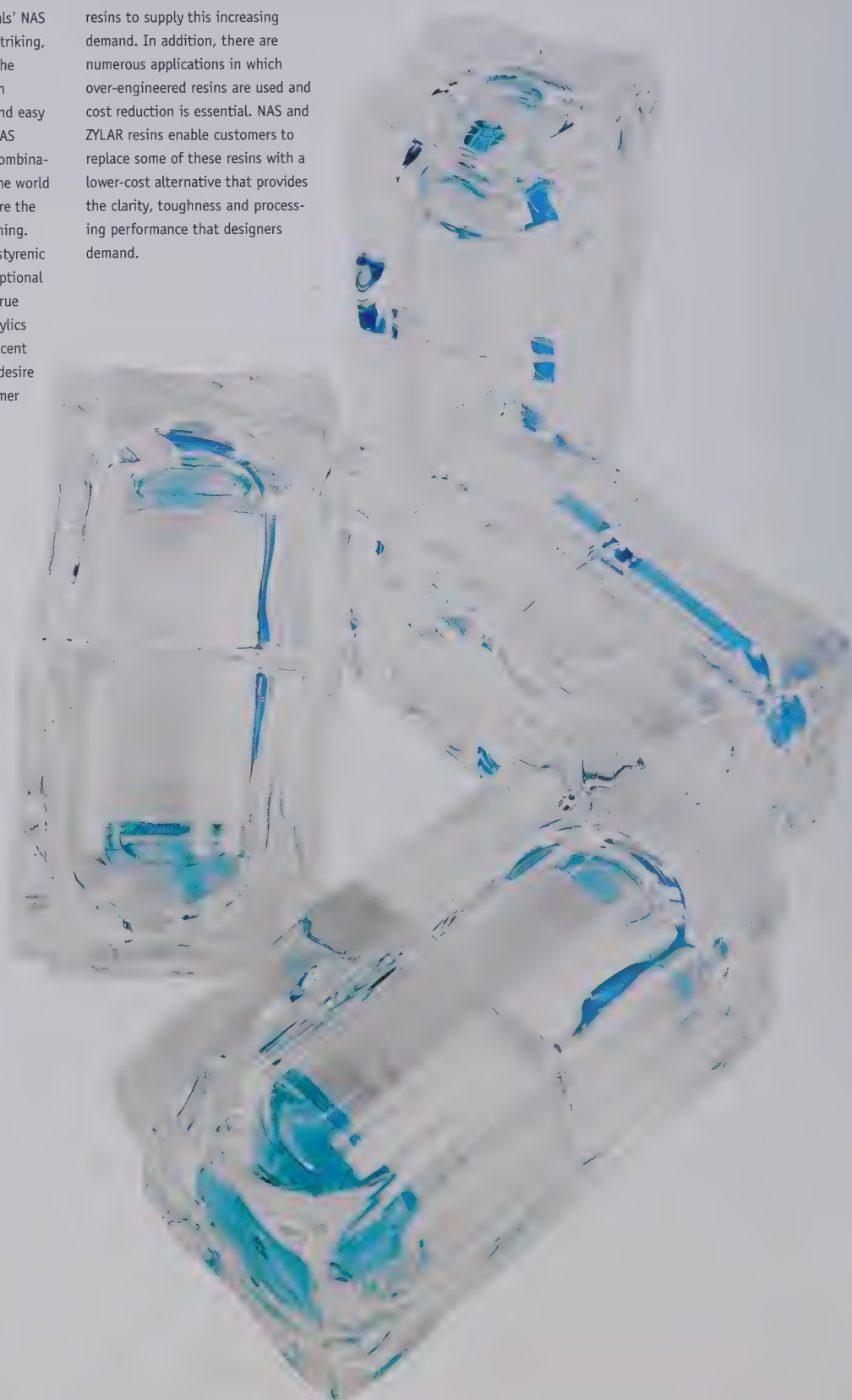
The smaller printer, shown here, is cushioned with barriers molded from ARCEL resins. The larger printer weighs over 300 lbs. Its packaging combines both ARCEL and EPS resins to form a complete material handling structure. ARCEL resins are used for the bottom pallet and top-cushioning, and the ramps are molded from EPS resins.

Hewlett Packard's (HP)
Packaging Engineers:
Margot Wilcox (seated);
Ram Sellapareddy, Perry Biancavilla,
Jeff Waldeck, Lou Gregorek
(standing, left to right)

Specified by packaging designers for its sparkling clarity and excellent processability, NOVA Chemicals' NAS acrylic copolymer creates a striking, clear and durable package. The result is a design that is both attractive to the consumer and easy to produce for the molder. NAS resins provide customers a combination that is hard to find in the world of cosmetics packaging, where the image of a product is everything.

NAS and ZYLAR are clear styrenic copolymers that deliver exceptional performance and present a true alternative to traditional acrylics and other clear polymers. Recent market data shows that the desire for "transparency" in consumer

products continues to grow, and NOVA Chemicals will be there with resins to supply this increasing demand. In addition, there are numerous applications in which over-engineered resins are used and cost reduction is essential. NAS and ZYLAR resins enable customers to replace some of these resins with a lower-cost alternative that provides the clarity, toughness and processing performance that designers demand.



FOOD PACKAGING



Recently commercialized, FX 110 polystyrene was specially developed to compete in the food service and food packaging markets. It enables polystyrene packaging manufacturers to carry out high-speed production of foam sheet into meat trays, egg cartons, clamshells and other containers, using less raw material than conventional SPS resin and without compromising strength. Alternately, our customers may choose to improve the strength of their foam sheet products by 5-15% with still no increase in raw material usage. This enhanced strength

capability will allow our customers to pursue new market opportunities and new applications.

Although marketed for high-volume, "commodity-type" applications, FX 110 will command a premium price because of the processing cost efficiencies it provides our customers. An added benefit of FX 110 is that it processes as well as standard grades, requiring no equipment modifications or adjustments. With NOVA Chemicals' increased research and development efforts, the future holds many opportunities for an entire family of enhanced SPS products.

TELEVISION CABINETS

Thomson multimedia, maker of RCA entertainment products, specified ZYNTAR resins for the cabinet of the RCA 38" diagonal HDTV shown here. ZYNTAR resins are designed for use in products requiring ignition-retardant polymers, specifically television cabinets.

As consumer demand for large and flat screen televisions continues to grow, our customers are faced with the challenge of producing these thin-wall, large-part applications more quickly. NOVA Chemicals offers a new grade of ZYNTAR resin specifically designed to meet and exceed these challenges. This innovative resin boasts a unique balance of properties, including enhanced flow, strength and stiffness, allowing manufacturers to mold these cabinets more cost effectively.

These ignition-retardant properties apply to many other areas of consumer electronics, such as smoke and carbon monoxide detectors and printer housings. Recent trends in consumer safety indicate that other consumer electronic applications for home and office will require these types of ignition-retardant resins in the future.



EXECUTIVE LEADERSHIP TEAM

Left to Right:
Jack S. Mustoe
Larry A. MacDonald
John L. Wheeler
Jeffrey M. Lipton (seated)
Christopher D. Pappas
Sheila H. O'Brien, C.M.
Dale H. Spiess
A. Terence Poole



Jeffrey M. Lipton

President and Chief Executive Officer

Jeff joined NOVA Corporation in 1994 as Senior Vice President and Chief Financial Officer and assumed his current position as President and Chief Executive Officer of NOVA Chemicals in 1998. Jeff also serves as Chairman of the Board of Methanex Corporation and Trimeris, Inc. He is also a director of Hercules Incorporated. Jeff is a director and member of the Executive Committee of the American Chemistry Council and the Canadian Council of Chief Executives. Jeff worked with E.I. DuPont for almost three decades, prior to joining NOVA Chemicals. He graduated from the Rensselaer Polytechnic Institute with a Bachelor of Science degree in Chemical Engineering and obtained an MBA from Harvard University.

Larry A. MacDonald

Senior Vice President and Chief Financial Officer

Larry joined NOVA Corporation of Alberta in 1979 as Controller. He progressed through several financial, information technology, and merger and acquisition positions within NOVA Corporation and NOVA Corporation of Alberta before assuming the role of Senior Vice President, Manufacturing East for NOVA Chemicals in 1999. He began his current role in December 2001. Larry graduated from the University of Windsor with a Bachelor of Commerce degree and is a chartered accountant.

Jack S. Mustoe

Senior Vice President, Legal and General Counsel

Jack joined NOVA Corporation of Alberta in 1988 as Vice President, General Counsel and Corporate Secretary and was named Senior Vice President, General Counsel and Corporate Environmental Officer of NOVA Corporation in 1994. Jack assumed his current position as Senior Vice President, Legal and General Counsel for NOVA Chemicals in 1998. Jack is also responsible for NOVA Chemicals' purchasing function. Prior to 1998, Jack served as Senior Legal Counsel for Dome Petroleum Ltd. and as Assistant General Counsel for Norcen Energy Resources Ltd. He graduated from the University of Western Ontario with a Bachelor of Laws degree and is a member of the Ontario and Alberta Bar Associations.

Sheila H. O'Brien, C.M.

Senior Vice President, Human Resources,
Public Affairs, Government and Investor Relations

Sheila was named to her current role with NOVA Chemicals in July 1998. She has held several senior management roles within NOVA Corporation and NOVA Corporation of Alberta since 1992, including Senior Vice President, Human Resources and Public Affairs; Vice President for People and Community; and Director, Public Affairs. Prior to 1992, Sheila held managerial positions in Human Resources and Public Affairs at Amoco Canada Petroleum Co. Ltd. and Petro-Canada. She holds a Bachelor of Arts degree in English and Sociology from the University of Calgary and is a graduate of the University of Western Ontario's Management Training Course. Sheila was appointed to the Order of Canada in 1998.

Christopher D. Pappas

Senior Vice President and President, Styrenics

Chris joined NOVA Chemicals in his current role in July of 2000. He began his career with Dow Chemical in 1978, where he held a variety of sales and managerial positions. He concluded his time at Dow as Commercial Director, Polyethylene/Specialty Plastics in 1995. From 1996 until 1998, Chris led the ethylene elastomers business of Dupont Dow Elastomers, Inc. as Vice President. He was then named Commercial Vice President with accountability for ethylene elastomers, neoprene, North American Sales and Marketing, and Supply Chain. Chris was President and Chief Executive Officer of Paint and Coatings.com just prior to joining NOVA Chemicals. He is a director of Methanex Corporation, Chair of AIChE Industrial Advisory Board, a director of WQED Public Television and a member of the American Plastics Council Operating Board. Chris has a Bachelor of Science degree in Civil Engineering from The Georgia Institute of Technology and an MBA from The Wharton School of Business at The University of Pennsylvania.

A. Terence Poole

Executive Vice President, Corporate Strategy
and Development

Terry began his current role in 2000. Prior to this, he spent two years as Executive Vice President, Finance and Strategy for NOVA Chemicals. Terry has held several senior management roles within NOVA Corporation and NOVA Corporation of Alberta since 1988, including Senior Vice President and Chief Financial Officer; Senior Vice President, Controller and Treasurer; and Vice President and Controller. Terry also serves on the board of Methanex Corporation and Rentmaker. Prior to 1988, Terry held senior financial and operating management positions in the John Labatt group of companies and with Phillips Cables. He graduated from Dalhousie University with a Bachelor of Commerce degree and is a chartered accountant.

Dale H. Spiess

Senior Vice President and President,
Olefins/Polyolefins

Dale began his current role in November of 2001. He joined NOVA Chemicals as Senior Vice President, Polyethylene Sales and Marketing in 1998. Prior to this, Dale was Group Vice President with Millennium Petrochemicals Inc. and also held positions with Northern Petrochemicals, ARCO Chemical and Uniroyal Chemical. Dale also serves as a director of the Flexible Packaging Association. He has a Bachelor of Science degree in Biology from Illinois Wesleyan University and is a graduate of the Executive Management Program at The University of Pennsylvania.

John L. Wheeler

Senior Vice President and Chief Information Officer

John joined NOVA Chemicals in his current role in 1998. Prior to this, John held senior management positions in Information Technology at AT&T Co., Bristol-Myers Consumer Products, Viacom and PolyGram and was Director of Information Systems for W.R. Grace Specialty Chemicals Co. John graduated with a Bachelor of Arts degree in Political Science (Pre-Law) from Duke University.

BOARD OF DIRECTORS

Seated from left:
Joanne V. Creighton,
Jeffrey M. Lipton,
J. E. (Ted) Newall, O.C.,
Janice G. Rennie, F.C.A.,
Jerald A. Blumberg

Standing from left:
Kerry L. Hawkins,
Robert E. Dineen, Jr.,
L. Yves Fortier, C.C., Q.C.,
Dr. F. Peter Boer,
Jacques Bougie, O.C.,
Arnold M. Ludwick,
James M. Stanford,
Joseph D. Thompson



Jerald A. Blumberg

Mr. Blumberg has been a director of NOVA Chemicals since February 2000. He is Past President and Chief Executive Officer of Ambar, Inc., a private oilfield services company. Prior to January 1998, Mr. Blumberg held various international and management positions with E.I. DuPont de Nemours & Company, Inc., most recently as an Executive Vice President and member of the Office of the Chief Executive. He is a director of Burlington Industries, Inc., The Lubrizol Corporation, Rentmaker, and iServiceX.com. Mr. Blumberg resides in Houston, Texas.

Dr. F. Peter Boer

Dr. Boer has been a director of NOVA Chemicals, or its predecessor companies, NOVA Corporation and NOVA Corporation of Alberta, since February 1991. He resides in Boynton Beach, Florida. He is President and Chief Executive Officer of Tiger Scientific Inc., a firm specializing in science and technology consulting and investments. He is a professor in the School of Management at Yale University and is a director of Ensco, Inc. and Rhodes Technologies. He is a member of the National Academy of Engineering, is a Past President of the Industrial Research Institute, and is the author of two books on the valuation of technology. Dr. Boer holds an AB in Physics from Princeton University and a PhD in Chemical Physics from Harvard University and is the author of over 100 publications.

Jacques Bougie, O.C.

Mr. Bougie has been a director of NOVA Chemicals since June 2001. He resides in Iles-des-soeurs, Québec. He is Past President and Chief Executive Officer of Alcan Inc. Mr. Bougie held numerous other positions within Alcan beginning in 1979 until his retirement in 2001. Mr. Bougie has previously served on the boards of Royal Bank of Canada, Bell Canada and BCE Mobile Communications, Inc.

Joanne V. Creighton

Ms. Creighton has been a director of NOVA Chemicals since June 2001. She resides in South Hadley, Massachusetts and is President and Professor of English of Mount Holyoke College. Prior to January 1996, Ms. Creighton was Interim President and Professor of English of Wesleyan University. She is the director of Five Colleges, Inc. and the Economic Council of Western Massachusetts, Chair of the Massachusetts State Selection Committee for the Rhodes Scholarship Trust and a member of the Executive Committee of the Association of Independent Colleges and Universities in Massachusetts.

Robert E. Dineen, Jr.

Mr. Dineen has been a director of NOVA Chemicals since July 1998. He resides in New York, New York and is a partner of Shearman & Sterling, Attorneys-at-Law, New York, New York. Mr. Dineen is a director of Manulife Financial Corporation and Resources for Children with Special Needs, Inc.

L. Yves Fortier, C.C., Q.C.

Mr. Fortier has been a director of NOVA Chemicals since July 1998. He resides in Westmount, Québec and is Chairman and a senior partner of Ogilvy Renault, Barristers and Solicitors, Montréal, Québec. He is Governor and director of Hudson's Bay Company and a director of DuPont Canada Inc., Northern Telecom Limited, Royal Bank of Canada and Groupe TVA Inc.

Kerry L. Hawkins

Mr. Hawkins has been a director of NOVA Chemicals since July 1998. He resides in Winnipeg, Manitoba and is President of Cargill Limited, and Chief Executive Officer of Canadian Operations for Cargill. He is also Chairman of Prince Rupert Grain, Saskferco Products Inc. and Cascadia Terminal. He is the Founding Chairman of the Business Council of Manitoba and a director of TransCanada PipeLines Limited, Shell Canada Limited, Hudson's Bay Company, Canadian Council of Chief Executives, C.D. Howe and the Chamber of Maritime Commerce.

Jeffrey M. Lipton

Mr. Lipton has been a director of NOVA Chemicals, or its predecessor company, NOVA Corporation, since April 1996. He is President and Chief Executive Officer of NOVA Chemicals and resides in Pittsburgh, Pennsylvania. Mr. Lipton serves as Chairman of the Board of Methanex Corporation and Trimeris, Inc. He is also a director of Hercules Incorporated. Mr. Lipton is a director and member of the Executive Committee of the American Chemistry Council and the Canadian Council of Chief Executives.

Arnold M. Ludwick

Mr. Ludwick has been a director of NOVA Chemicals since February 2000. He is Deputy Chairman of Claridge Inc. and prior to 1999 was President and Chief Executive Officer of Claridge and a Vice President of The Seagram Company Ltd. Mr. Ludwick is a Trustee of the Charles Rosner Bronfman Family Trust. He resides in Montréal, Québec.

J. E. (Ted) Newall, O.C.

Mr. Newall is Chairman of the Board of Directors of NOVA Chemicals and, prior to July 1998, was Vice Chairman and Chief Executive Officer of NOVA Corporation. He has been a director of NOVA Chemicals, or its predecessor companies, NOVA Corporation and NOVA Corporation of Alberta, since August 1991. He is also a director of BCE Inc., Alcan Inc., Royal Bank of Canada, Maple Leaf Foods, Canadian Pacific Railway, McCain Capital Corporation and Bell Canada. Mr. Newall resides in Calgary, Alberta.

Janice G. Rennie, F.C.A.

Ms. Rennie has been a director of NOVA Chemicals, or its predecessor companies, NOVA Corporation and NOVA Corporation of Alberta, since April 1991. She is Vice Chair of EPCOR Utilities Inc. (formerly Edmonton Power), an Advisory Board Member of Weldwood of Canada Limited and a director of Tire-Ex Supply Ltd. and Rocky Mountain Air Compressors Ltd. She is also a Trustee of Canadian Hotel Income Properties. Ms. Rennie resides in Edmonton, Alberta, where she is Principal of Rennie & Associates.

James M. Stanford

Mr. Stanford has been a director of NOVA Chemicals since December 1999. He is President and director of Stanford Resource Management, Inc. During 2000, he was Chairman of Petro-Canada and served as President and Chief Executive Officer of Petro-Canada prior to January 2000. Mr. Stanford is a director of Inco Limited, Omers Resources, Sunfire Energy Corp., B.C. Gas Inc., PanCanadian Energy and Chairman of the Foundation for Sustainable Development Technology in Canada. He resides in Calgary, Alberta.

Joseph D. Thompson

Mr. Thompson has been a director of NOVA Chemicals since July 1998. He is Chairman of PCL Construction Group Inc. Prior to July 1998, Mr. Thompson was Chairman, President and Chief Executive Officer of PCL Construction Group Inc. He is also a director of TransCanada PipeLines Limited, Shana Corporation, CFE Industries Inc., Jonan Enterprises Ltd., PCL Employee Holdings Ltd., Eleven Engineering Inc. and PCL Construction Group Inc. He resides in Edmonton, Alberta.

2001 FINANCIAL REVIEW



FORWARD-LOOKING INFORMATION

The information in this Annual Report contains forward-looking statements with respect to NOVA Chemicals Corporation (NOVA Chemicals). Its subsidiaries are affiliated companies. By their nature, these forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those presented by the forward-looking statements. These risks and uncertainties include: commodity chemical price levels (which

depend, among other things, on supply and demand for these products, capacity utilization and substitution rates between these products and competing products); feedstock availability and prices; operating costs; technology developments; exchange rate fluctuations; starting up and operating facilities using new technology; realizing synergy and cost saving targets; avoiding unplanned facility shutdowns; safety, health and environmental risks

associated with the operation of chemical plants and marketing of chemical products, including transportation of these products; public perception of chemicals and chemical end-use products; performance of Methanex Corporation (Methanex); meeting time and budget targets for significant capital investments; and other risks detailed from time to time in the publicly filed disclosure documents and securities commissions reports of NOVA Chemicals and its

subsidiaries or affiliated companies. Implementation of announced price increases depends on many factors, including feedstock costs, market conditions and the supply/demand balance for polyethylene and polystyrene. Successful price increases are typically phased in over several months, vary from grade to grade and can be reduced in magnitude during the implementation period.

All financial information is in U.S. dollars unless otherwise indicated.

FINANCIAL PERFORMANCE

NOVA Chemicals' net loss to common shareholders before unusual items¹ was \$202 million in 2001, compared to net income of \$287 million in 2000 and \$124 million in 1999. The Olefins/Polyolefins business lost \$2 million in 2001, as compared to the \$258 million earned in 2000 and \$167 million earned in 1999. The Styrenics business lost \$181 million in 2001, down from earnings of \$42 million in 2000 and a loss of \$12 million in 1999.

Business conditions were difficult and reflect the tough environment the chemical industry is experiencing. Weak customer demand and soft sales volumes forced cuts in price to maintain market share. This, coupled with volatile feedstock pricing, resulted in margin decline of \$663 million in 2001, compared to the margin improvement of \$307 million in 2000.

In Olefins/Polyolefins, we experienced approximately \$100 million in additional depreciation, interest and other fixed costs with the completion of the capital expansion at Joffre, Alberta. We ran our third ethylene cracker and our new Advanced SCLAIRTECH technology polyethylene facility at very reduced rates. Variable margins were also hurt by weak market conditions which significantly impacted the price we were able to obtain from initial polyethylene production at the new facility.

In Styrenics, our styrene purchase commitments had an adverse impact on earnings in 2001. The acquisition of styrenics businesses from ARCO, Huntsman and Shell gave NOVA Chemicals a long position in styrene, with more monomer than we require for our own polystyrene production. In a tight market, this secures styrene for maximum polymer sales. It also allows us to sell scarce monomer at very high prices in the spot market. However, market conditions were not tight in 2001. With soft demand for both styrene and polystyrene, we reduced our own monomer production in order to meet minimum supply contract obligations. This resulted in higher fixed costs per pound, and forced us to sell excess styrene at low spot prices, which negatively impacted margins by \$65 million in 2001.

There was a reduction of \$5 million in overall selling, general and administration (SG&A) and research and development (R&D) in 2001, compared to an increase of \$65 million, mainly due to the Shell acquisition, in 2000. Income taxes declined by \$260 million in 2001 due to the significant reduction in earnings from operations during the year.

Unusual items resulted in a \$41 million net gain (after-tax) in 2001, as compared to a \$21 million net loss in 2000 and a \$93 million net gain in 1999. Unusual items in 2001 included a \$44 million (after-tax) gain regarding settlements with the Internal Revenue Service on foreign tax credits for prior years, a \$17 million benefit related to the impact of legislated reductions in Canadian provincial income tax rates on future tax liabilities, and a fourth quarter \$17 million (after-tax) charge related to restructuring. NOVA Chemicals' restructuring charge in 2001 related to employee severance costs, as well as project and other asset write-offs. This charge was significantly lower than the restructuring charge in 2000 of \$71 million (after-tax), which included a plant closure at Joliet, Illinois, other line closures and related employee severance.

NOVA Chemicals' net loss to common shareholders after unusual items was \$161 million in 2001, compared to net income of \$266 million in 2000 and \$217 million in 1999.

This Management Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and related notes for the year ended December 31, 2001.

¹ See Supplemental Earnings Measures on page 39.

NOVA CHEMICALS HIGHLIGHTS

(millions of dollars, except per share amounts as noted)	2001	2000	1999
Net income (loss)			
Olefins/Polyolefins	\$ (2)	\$ 258	\$ 167
Styrenics	(181)	42	(12)
NOVA Chemicals operated	(183)	300	155
Methanex (after-tax) ¹	14	23	(29)
Dynegy Inc. and other (after-tax)	—	—	34
Net income (loss) before preferred securities dividends and distributions and unusual items	(169)	323	160
Preferred securities dividends and distributions	(33)	(36)	(36)
Net income (loss) to common shareholders			
before unusual items	(202)	287	124
Unusual items (after-tax) ²	41	(21)	93
Net income (loss) to common shareholders	\$ (161)	\$ 266	\$ 217
Earnings (loss) per share before unusual items			
Basic	\$ (2.37)	\$ 3.23	\$ 1.34
Diluted	\$ (2.37)	\$ 3.06	\$ 1.32
Earnings (loss) per share after unusual items			
Basic	\$ (1.88)	\$ 3.00	\$ 2.35
Diluted	\$ (1.88)	\$ 2.84	\$ 2.26
Weighted average common shares outstanding (millions)	85	89	93

1 2001 and 1999 exclude NOVA Chemicals' share of Methanex's restructuring charges of \$3 million and \$19 million, respectively.

2 See page 40 for listing of unusual items.

CHANGES IN NOVA CHEMICALS' NET INCOME¹

(millions of dollars)	2001 versus 2000	2000 versus 1999
Higher (lower) margins	\$(575)	\$ 280
Higher (lower) sales volumes	(88)	27
	(663) ²	307 ²
Lower (higher) SG&A and R&D	5	(65)
Higher depreciation	(42)	(33)
Lower (higher) interest expense	(43)	16
Lower (higher) tax expense	260	(80)
Unusual items	62	(114)
Higher (lower) equity earnings in Methanex	(9)	52
Lower equity earnings in Dynegy and other	—	(34)
Lower preferred securities dividends and distributions	3	—
Increase (decrease) in net income to common shareholders	\$(427)	\$ 49

1 All line items prior to "Lower (higher) tax expense" are pre-tax amounts; all items thereafter are after-tax amounts.

2 Calculated as revenue less feedstock and operating costs.

FINANCIAL STRENGTH

Many analysts predict that the economic recovery will strengthen in the second half of 2002. As the economy recovers, we expect that demand for our products will follow. However, we continue to focus on what we can control and will operate our business as if the difficult conditions we experienced in the third and fourth quarters of 2001 will continue throughout 2002. In this uncertain environment, we believe it is most important we maintain our strong balance sheet, focus on liquidity and protect our investment grade credit rating.

Despite the economic downturn, NOVA Chemicals reduced its debt by \$67 million in the second half of 2001. In January of 2002, we sold our interest in the Cochin Pipeline for \$64 million. We expect to generate an additional \$100 to \$150 million in cash by pursuing the sale of three other non-strategic assets. In total, we expect to generate between \$300 and \$400 million in cash from non-operating sources, including asset sales and tax refunds, in the first half of 2002. As a result, we plan to further reduce debt by \$200 million.

During 2001, we reduced capital expenditures to \$168 million from \$440 million in 2000. Historically, capital spending on regular maintenance and small projects has been about \$125 to \$150 million per year. Our 2002 capital expenditures are expected to be less than \$80 million. We are able to reduce these activities because our assets are modern and well maintained. This reduction poses no risk to the safe and reliable operation of our facilities.

IMPROVED COMPETITIVE POSITION

NOVA Chemicals' most significant accomplishment in 2001 was the successful start-up and commissioning of our new 850 million pound per year polyethylene plant at Joffre. We sold 188 million pounds of product from this new plant in 2001, and expect to sell approximately 400 million pounds in 2002. Product will be introduced gradually in North America as demand recovers and we develop more sophisticated products.

Our proprietary catalyst system, combined with the Advanced SCLAIRTECH technology, has the capability to tailor polymer characteristics to meet the specific needs of customers. By the end of 2001, we had six grades selling at commercial volumes and 25% of our product slate defined. We expect to have a total of about 30 grades in the market when we ramp up production to the full 850 million pound capacity. The Advanced SCLAIRTECH solution process allows for easier transition from product to product than most reactors, including gas-phase polyethylene production. We are able to target approximately 50% more end-use applications in specialty markets, reduce our minimum sales requirement for each product and expect to achieve much better margins as a result. By 2005, we plan to expand the plant's current 850 million pound capacity to 1 billion pounds and expect to realize an average of 6 cents per pound margin premium.

The new polyethylene plant represents the capstone to our \$1 billion expansion at Joffre, making it the largest ethylene/polyethylene site in the world. The site also includes two other facilities that enhance its efficiency: Canada's largest cogeneration facility lowers the cost of electricity and steam on-site and BP's Linear Alpha Olefins production eliminates the need for costly comonomer shipments from the United States Gulf Coast (USGC).

In 2001, we announced an agreement with BP to jointly develop and commercialize advanced Ziegler-Natta catalysts for use in gas-phase polyethylene processes. This technology alliance reinforces NOVA Chemicals' reputation as a leading developer of catalysts for

advanced polyethylene products. We plan to license and sell catalysts developed by this alliance on a global basis. To date, our work is progressing well and commercial sales are in the development stage.

In 2001, the Styrenics sales and marketing organization was able to use NOVA Chemicals' Margin Model to drive their decision making. The Margin Model takes advantage of real-time information provided by SAP® 4.6 software to analyze margin for each commercial transaction we consider. We have used this tool in the polyethylene business for several years to define the contribution per reactor hour for every product at every customer location. This allows us to rationalize our product mix and to target the most profitable areas of our business for growth.

With the help of information from the Margin Model, the Styrenics organization has launched a growth strategy focused on six areas of new, high-value product development. These new products leverage existing technology and require minimal capital expenditures. The majority of our technology and business development efforts are focused to dramatically increase sales of these new products over the next two to three years. We have re-deployed commercial and technical resources to these areas and expect to grow the portion of high-margin products from 9% to over 20% in solid polystyrene, and from 16% to about 30% in expandable polystyrene. In high performance polystyrene, where essentially all products are high-margin, our aim is overall growth in scale. As a result of these efforts, we expect to increase the high-value portion of our styrenic polymer sales so they make up over 25% of our total styrenic polymer sales by 2004.

This growth is expected to occur in both North America and Europe, and spans a range of market opportunities, applications and polymers. We have six new product families with superior performance characteristics versus the traditional commodity polystyrene resins. These properties typically command a higher market price and should result in margin premiums over NOVA Chemicals' existing grades. We expect to achieve a margin premium of up to 5 cents per pound in solid polystyrene and 15 to 25 cents per pound in expandable polystyrene, depending upon product and market segment.

- FX solid polystyrene was initially introduced and designed to increase the strength and production rates of foam sheet used in the food service and food packaging industries.
- NAS and ZYLAR are clear styrenic copolymers that deliver exceptional processing performance and present a good alternative to traditional acrylics and other polymers.
- ZYNTAR is an ignition-retardant polymer used in products which are required to meet specific fire or building codes—for example, in North America, televisions and smoke detectors.
- ULTRA LOW Pentane expandable polystyrene technology produces expandable polystyrene with 50% less pentane than conventional grades—a key to meeting regulatory demands in many regions.
- DYLLITE is an expandable polystyrene product specifically tailored for foam cups and containers.
- ARCEL is a high performance foam interpolymer used for packaging high-end consumer electronics, in the growing business-to-consumer market.

NOVA Chemicals developed, patented and introduced many of these new products in 2000 and 2001. Today, we are focused on achieving full commercialization to significantly grow sales volumes. We believe the market potential for these products is in excess of 2 billion pounds per year. We target customers where our new products fully satisfy the application requirements, increasing profitability for both the customer and NOVA Chemicals.

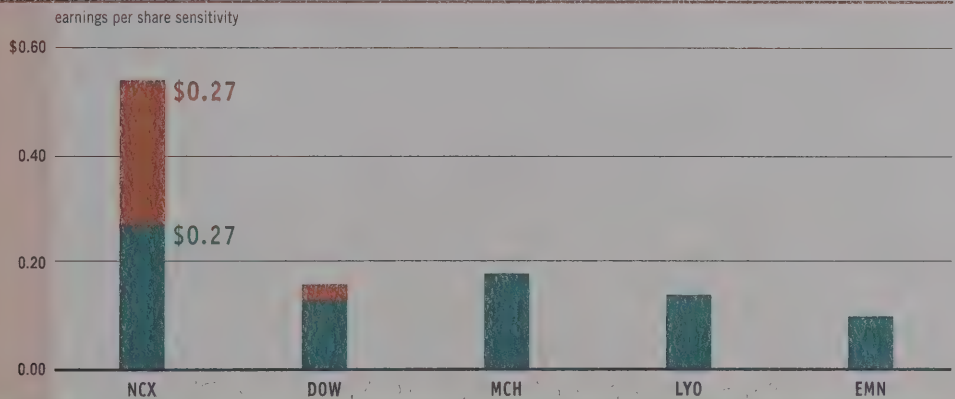
UPSIDE LEVERAGE

NOVA Chemicals is tightly focused in just two businesses: olefins/polyolefins and styrene/polystyrene. We are major players in both. As a result, our leverage to these products is greater than that of any other chemical company in North America. While this leverage contributed to our weak performance in 2001, it positions NOVA Chemicals to take full advantage of the economic recovery. As polymer market demand and prices strengthen in the initial recovery, and then further at the peak of the cycle, better margins in our two major product lines impact our earnings performance more directly than that of any of our peers. The chart below demonstrates the potential impact of a 1 cent per pound margin change in both polyethylene and polystyrene on the earnings per share of NOVA Chemicals and our peers.

EARNINGS PER SHARE SENSITIVITY¹

Simultaneous 1 cent per pound change in each product's margin

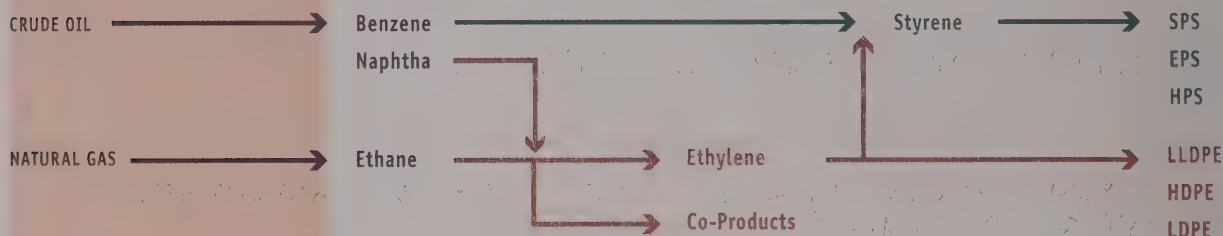
■ Polystyrene
■ Polyethylene



¹ This chart illustrates maximum potential sensitivity to margin change for the products indicated based solely on NOVA Chemicals' relative leverage to polyethylene and polystyrene, and does not take into account a number of other factors, any one of which may influence the actual outcome. References to NOVA Chemicals' peers include the following chemical companies: The Dow Chemical Company (DOW), Eastman Chemical Company (EMN), Lyondell Chemical Company (LYO), Millennium Chemicals Inc. (MCH) and Methanex.

Our products are consumed in various industrial and consumer markets around the world. NOVA Chemicals operates manufacturing facilities in Canada, the United States and Europe. The fundamental driver for the cost of our products is the price of feedstock, derived from crude oil or natural gas. The margin between resin selling price and feedstock input cost is primarily influenced by supply and demand for our products.

STYRENICS BUSINESS



OLEFINS/POLYOLEFINS BUSINESS

ETHYLENE AND STYRENE FEEDSTOCK

NOVA Chemicals' largest volume product is ethylene. As shown in the chart above, it is central to the production of both polyethylene and styrene. Seventy-five percent of our ethylene is produced at Joffre from ethane, which is extracted from natural gas. We require 115 million mmBTU (mmBTU = million British Thermal Units) of natural gas feedstock for one year's operation at full capacity, and if the average price of natural gas changes for one full year by \$1 per mmBTU, our after-tax earnings would change by \$75 million.

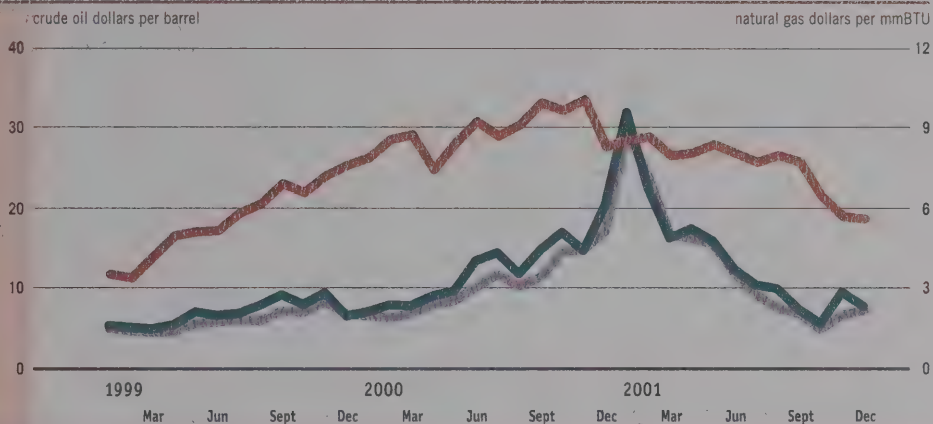
In January 2001, natural gas prices in North America spiked to a record high level of \$9.79 per mmBTU as a result of supply concerns. This level was more than four times the long-term average price of \$2.40 per mmBTU. Prices subsequently fell to a low of \$1.88 per mmBTU in October as gas storage levels climbed to near maximum capacity. The year's average price of \$4.38 per mmBTU compares to average prices of \$3.91 per mmBTU in 2000 and \$2.27 per mmBTU in 1999. Volatile energy market conditions provided an opportunity for NOVA Chemicals' feedstock acquisition team to secure \$55 million in after-tax feedstock hedging gains, somewhat offsetting higher ethane feedstock costs.

CRUDE OIL AND NATURAL GAS PRICE TREND

■ WTI Crude Oil
■ NYMEX Natural Gas
■ AECO Natural Gas

Annual Averages

1999	2000	2001	
19.24	30.20	25.97	(WTI)
2.27	3.91	4.38	(NYMEX)
1.99	3.37	4.11	(AECO)

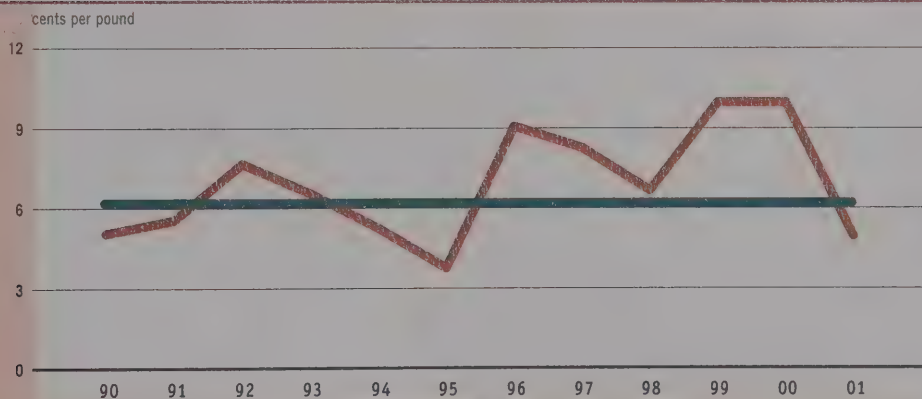


With the 2000 start-up of the third ethane cracker, our Joffre site became the world's largest ethylene production facility. In addition, the Joffre site generally has a lower cash cost of production than any site in the United States. The "Alberta Advantage" sets Joffre apart from typical ethylene crackers and comes as a result of three elements:

1. Lower cost natural gas—Joffre is strategically located adjacent to one of North America's largest natural gas supply basins.
2. Lower cost ethane extraction, gathering and transportation—Joffre is fed directly from the large ethane extraction straddle plants within Alberta's unique infrastructure.
3. Lower cost of ethane conversion to ethylene—Joffre enjoys world-class economies of scale and efficiency.

ALBERTA ADVANTAGE

■ Alberta Advantage
■ Historical average advantage



As shown in the chart above, Joffre has historically averaged a 6 cent per pound cash cost advantage versus producing ethylene in a typical USGC ethane/propane cracker. In 2001, our advantage averaged 5 cents per pound, down from 10 cents per pound in 1999 and 2000, largely the result of unusually high natural gas prices.

The Alliance pipeline project has been operating for one full year, transporting natural gas containing natural gas liquids, including ethane, out of Alberta. This has reduced the potential supply of ethane in Alberta and is expected to reduce the long-term potential for

new ethylene production sites within the province. It is not expected to impact our Alberta Advantage versus USGC ethane/propane crackers which we believe is sustainable over the long-term at an average of at least 6 cents per pound. Since two of the three elements are fixed cost based, our advantage is not likely to fall below 4 cents per pound for any sustained period.

NOVA Chemicals will continue to balance its ethane supply by using inventory and short-term spot purchases and sales. We will support investments that recover a higher proportion of the ethane flowing in the natural gas. NOVA Chemicals is also looking at other alternatives to expand feedstock supply in an effort to enhance short-term operating flexibility and longer-term growth opportunities.

The balance of our ethylene is manufactured in Corunna, Ontario in a flexi-cracker that is primarily fed with crude oil and crude oil derivatives, such as naphtha. In 2001, oil prices peaked at \$29.65 per barrel in February and fell to a low of \$19.40 per barrel in December. The average price for the year was \$25.97 per barrel, compared to average prices of \$30.20 per barrel in 2000 and \$19.24 per barrel in 1999. The impact of higher oil prices can be mitigated at Corunna by increasing the use of natural gas liquids feedstock, such as butane and propane.

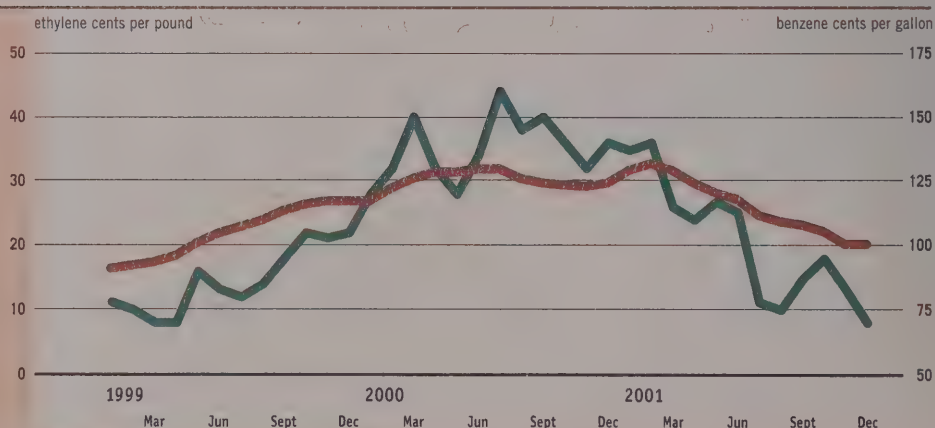
Benzene, a crude oil derivative, is reacted with ethylene for styrene monomer production at our Sarnia, Ontario and Bayport, Texas sites. Benzene prices fell steadily from a July 2000 peak of \$1.60 per gallon to \$1.37 per gallon in January 2001 and \$0.70 per gallon in December 2001. The average price for benzene in 2001 was \$1.02 per gallon, compared to \$1.38 per gallon in 2000, and \$0.87 per gallon in 1999. A 5 cent per gallon change in the price of benzene for a full year can impact our after-tax earnings by up to \$12 million per year.

STYRENE FEEDSTOCK COSTS

■ CMAI contract benzene
■ CMAI net transaction ethylene

CMAI Annual Averages

1999	2000	2001	
87	138	102	(benzene)
22	30	26	(ethylene)



DEMAND

The demand for our products typically grows as a function of consumer and industrial activity, which can be measured by gross domestic product (GDP). As shown in the chart below, market demand for polyethylene and polystyrene have historically grown at 1-2 times GDP, depending on the region of the world.

AVERAGE ANNUAL GROWTH 1992-2001

	GDP (%)	PE Demand Growth (%)	PE Growth (multiple of GDP)	Solid PS Demand Growth (%)	Solid PS Growth (multiple of GDP)
North America	3.4%	4.2%	1.2	2.5%	0.7
Europe	2.2%	3.6%	1.6	2.1%	1.0
Asia	3.1%	6.8%	2.2	6.8%	2.2
World	2.8%	5.2%	1.9	4.0%	1.4

Source: DRI-WEFA for GDP. Estimated 2001 growth rates. CMAI for polyethylene (PE) and solid polystyrene (Solid PS) demand.

The global economic recession in 2001 and customer inventory reduction had a severe impact on the market demand for our products. North American polyethylene, polystyrene and expandable polystyrene demand declined by 4%, 6% and 5%, respectively.

INVENTORY

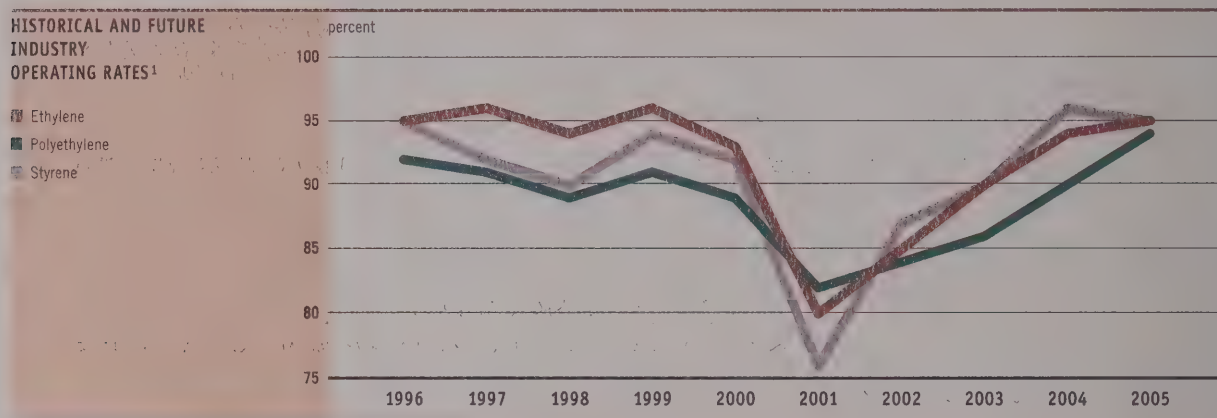
Our polyethylene and polystyrene customers started off the year with high inventory levels. The sluggish economy and falling prices compelled our customers, and their customers, to draw down their inventory to below average levels. According to CMAI, downstream polyethylene inventories in North America fell by 1.6 billion pounds through 2001. Data from the American Plastics Council (APC) suggests North American producer inventory levels were approximately 500 million pounds less in December 2001 than one year earlier. All together, this represents more than 2 billion pounds—approximately 5% of North American polyethylene production capacity—which was removed from inventory. To replace this would require the production of three world-scale plants for approximately one full year.

Customers and producers similarly reduced polystyrene inventories last year. CMAI and APC estimate that North American inventory reduction in 2001 represented 5% of solid polystyrene production capacity. We believe that significant inventory replenishment will be required in the styrenics chain as the economy recovers.

SUPPLY

The addition of supply often occurs in large increments as producers attempt to gain economies of scale. The cyclical nature of the industry is driven by the size and timing of new capacity additions. When demand grows more rapidly than supply, industry operating rates climb, and strong prices and margins result in periods called peaks. In contrast, when supply additions outpace demand growth, low capacity utilization, and weak prices and margins result in periods called troughs.

Olefins/Polyolefins and Styrenics had a tough year in 2001. In fact, industry-wide capacity utilization was only about 80% for each market we serve. High feedstock costs, weak market demand and a substantial reduction of inventory levels throughout the supply chain combined to create extremely difficult business conditions. The chart below provides a third-party perspective of historical and future industry operating rates for both of our businesses.



Source: CMAI and APC

1 Projected future operating rates are based on a number of factors, any one of which may influence the actual outcome.

As capacity utilization tightens, market prices and margins tend to increase. The chart below shows the key drivers of NOVA Chemicals' profitability when plants are running at full capacity.

NOVA CHEMICALS' NET INCOME SENSITIVITY

	Estimated annual after-tax income ¹ increase (millions of dollars)	Production capacity ⁶ (billions of pounds)
Potential impact of:		
Increase ² of U.S. 1 cent per pound in profit margin		
Ethylene ³	27	4.3
Polyethylene	23	3.6
Styrene ⁴	20	3.2
Polystyrene—North America ⁵	14	2.2
Polystyrene—Europe ⁵	9	1.4
Propylene ⁵	6	1.0
Decrease in Cost of Natural Gas by 10 cents per mmBTU	7-8	—
Decrease in Cost of Benzene by 5 cents per gallon	12	—
Increase ² in Euro of 1 cent vs. U.S. dollar	3	—
Increase ² in Methanex's net income of \$10 million	3	—

1 The expected impact of Canadian exchange rate fluctuations for 2002 is not considered material as substantially all anticipated Canadian dollar costs have been hedged.

2 A decrease in these factors will have the opposite effect on net income.

3 Excludes cost-of-service third-party sales and sales under margin sharing contracts.

4 Includes 600 mmlbs of long-term purchase arrangements.

5 Includes solid polystyrene and expandable polystyrene.

6 Estimate based on current production capacity.

OLEFINS/POLYOLEFINS HIGHLIGHTS

The Olefins/Polyolefins business recorded a net loss of \$2 million in 2001 compared to net income of \$258 million in 2000 and \$167 million in 1999. Polyethylene, ethylene and co-product demand and pricing fell throughout the year as supply/demand balances weakened in response to new industry capacity, a flat economy and the reduction of inventory in the supply chain. Declining prices, coupled with higher natural gas and utility costs, severely reduced margins. The benefit of lower crude oil costs was more than offset by lower co-product pricing.

Demand for polyethylene dropped significantly during the year. In addition, results for the second half of the year reflect our new polyethylene plant costs and depreciation. The plant focused primarily on new product development and commercialization, and did not produce maximum volume.

We sold 20% of our polyethylene from the Joffre site into China in 2001, versus 20% in 2000 and 17% in 1999. This represents the largest component of our 15% total polyethylene exports from North America. The Chinese market experienced a severe reduction in demand starting in September 2001, which caused prices to fall to as low as \$400 per metric tonne, a level not seen in several years. In response, NOVA Chemicals cut back its export sales in the fourth quarter to 8% in favor of better margins in North America.

Olefins results were also negatively impacted by reduced demand and eroding margins. Co-product prices fell by 17%, reducing revenue to \$545 million in 2001, compared to \$660 million in 2000 and \$381 million in 1999.

OLEFINS/POLYOLEFINS FINANCIAL HIGHLIGHTS

(millions dollars, except as noted)	2001	2000	1999
Revenue	\$2,014	\$2,228	\$1,671
EBITDA ¹	\$ 189	\$ 525	\$ 385
Depreciation	\$ 132	\$ 86	\$ 80
Operating income	\$ 57	\$ 439	\$ 305
Net income (loss) ²	\$ (2)	\$ 258	\$ 167
Capital expenditures	\$ 125	\$ 401	\$ 565
Average capital employed ³	\$1,689	\$ 987	\$ 897
After-tax return on capital employed ⁴	1.6%	27.6%	20.8%

1 Operating income excluding depreciation.

2 Before distributions and dividends on preferred securities.

3 Average capital employed equals cash expended on plant, property and equipment (less accumulated depreciation) and working capital and excludes assets under construction.

4 Equals net income plus after-tax interest expense divided by average capital employed.

OLEFINS/POLYOLEFINS OPERATING HIGHLIGHTS

Average Benchmark Prices ¹ (dollars per pound, except as noted)	2001	2000	1999
Ethylene ²	\$ 0.27	\$ 0.30	\$ 0.22
Polyethylene—linear low density butene liner ³	\$ 0.35	\$ 0.40	\$ 0.33
Polyethylene—weighted average mix ⁴	\$ 0.40	\$ 0.42	\$ 0.36
NYMEX natural gas (dollars per mmBTU)	\$ 4.38	\$ 3.91	\$ 2.27
WTI crude oil (dollars per barrel)	\$25.97	\$30.20	\$19.24

1 Average benchmark prices are not intended to be actual prices realized by NOVA Chemicals or any other petrochemical company.

2 Source: DeWitt and Company Inc. USGC Predominant Price.

3 Source: Townsend Tarnell Inc. (TTI)

4 Benchmark prices weighted according to NOVA Chemicals' product mix in North America. Source for benchmarks: TTI

POLYETHYLENE SALES VOLUMES

(millions of pounds)	2001	2000	1999
NOVAPOL Resins			
Joffre LLDPE	1,129	1,327	1,233
Moore LDPE	265	318	274
Moore HDPE	381	452	485
SCLAIR Resins	617	603	600
Advanced SCLAIRTECH Resins	188	—	—
Total	2,580	2,700	2,592

STYRENICS HIGHLIGHTS

In 2001, the Styrenics business recorded a net loss of \$181 million, compared to net income of \$42 million in 2000 and a net loss of \$12 million in 1999. The Styrenics business experienced weak demand resulting in lower sales volume and prices throughout the year. Margins were reduced as product prices fell faster than feedstock costs.

Our over-supply of styrene was the single largest factor impacting 2001 performance in Styrenics. The negative impact of these arrangements was marginally offset by the renegotiation of several contracts and the use of styrene swaps with other suppliers in order to reduce shipping costs.

In the first quarter of 2001, the 230 million pound Joliet, Illinois solid polystyrene plant was permanently closed. Four other high-cost solid polystyrene production lines were idled at our Belpre, Ohio site, reducing annual output by approximately 100 million pounds.

At our Monaca, Pennsylvania site, a portion of our expandable polystyrene capacity used for commodity products was converted into higher value DYLLITE cup bead increasing our overall DYLLITE capacity by 60%. This site continues to be the only site in North America to supply the non-captive market for expandable polystyrene cups and insulated food containers.

In 2000, a three-year synergy target related to the acquisition of Shell's European styrenics business was set at \$19 million (after-tax). In 2001, \$9 million (after-tax) was delivered, bringing the two-year total to \$13 million (after-tax). We expect to achieve the balance of \$6 million in 2002.

STYRENICS FINANCIAL HIGHLIGHTS

(millions of dollars, except as noted)	2001	2000	1999
Revenue	\$1,306	\$1,859	\$1,273
EBITDA ¹	\$ (128)	\$ 195	\$ 93
Depreciation	\$ 98	\$ 102	\$ 75
Operating income (loss)	\$ (226)	\$ 93	\$ 18
Net income (loss) ²	\$ (181)	\$ 42	\$ (12)
Capital expenditures	\$ 43	\$ 39	\$ 55
Average capital employed ³	\$1,392	\$1,546	\$1,334
After-tax return on capital employed ⁴	(10.6)%	4.2%	0.5%

1 Operating income (loss) excluding depreciation.

2 Before distributions and dividends on preferred securities.

3 Average capital employed equals cash expended on plant, property and equipment (less accumulated depreciation) and working capital and excludes assets under construction.

4 Equals net income plus after-tax interest expense divided by average capital employed.

STYRENICS OPERATING HIGHLIGHTS

Average Benchmark Prices ¹ (dollars per pound, except as noted)	2001	2000	1999
Styrene ²	\$0.31	\$0.40	\$0.27
Polystyrene—weighted average mix ³	\$0.44	\$0.54	\$0.39
Benzene ² (dollars per gallon)	\$1.02	\$1.38	\$0.87

1 Average benchmark prices are not intended to be actual prices realized by NOVA Chemicals or any other petrochemical company.

2 Source: Chemical Markets Associates, Inc. (CMAI) Low Contract.

3 Benchmark prices weighted according to NOVA Chemicals' polystyrene product mix in North America and Europe. Includes polystyrene but excludes high performance styrenics, DYLLARK® and other styrenic polymers. Source of benchmark prices: CMAI

POLYSTYRENE SALES VOLUMES

(millions of pounds)	2001	2000 ¹	1999
Polystyrene (including EPS)	2,282	2,731	2,498
High performance styrenics, DYLLARK and other	314	304	350
Total	2,596	3,035	2,848

1 2000 volumes include sales starting February 2, 2000, related to the acquisition of Shell's European styrenics business.

METHANEX EQUITY INVESTMENT

NOVA Chemicals' interest in Methanex yielded earnings of \$11 million (after-tax) in 2001, as compared to \$23 million (after-tax) in 2000 and a loss of \$48 million in 1999. 2001 results include a \$3 million charge for NOVA Chemicals' portion of a restructuring charge, while 1999 includes a similar charge of \$19 million. Methanol prices improved in the first half of the year as the methanol supply/demand balance tightened. By mid-year, demand for methanol, and therefore pricing, began to fall due to the global economic slowdown. For 2001, methanol demand declined by an estimated 5%. The average realized price for methanol fell from a level of \$225 per tonne in the first quarter of 2001 to \$115 per tonne in the fourth quarter of 2001.

Methanex reduced its outstanding shares to 131 million through an issuer bid and ongoing share buy-back program. NOVA Chemicals did not participate in these buy-back programs and, as a result, our ownership position increased from 29.2% to 35.8% at the end of 2001.

NOVA Chemicals continues to support the strategic initiatives Methanex has undertaken to enhance value for its shareholders. We believe in the long-term outlook for methanol and Methanex's ability to earn substantial returns when global economic activity improves. With limited new capacity expected through the end of 2003, Methanex is well positioned to take advantage of stronger methanol supply/demand fundamentals and the improved pricing which will result.

METHANEX FINANCIAL HIGHLIGHTS

(millions of dollars, except as noted)	2001	2000	1999
Equity earnings (losses) ^{1,2}	\$ 14	\$ 32	\$ (48)
Income tax expense	(3)	(9)	—
Net equity earnings (losses)	\$ 11	\$ 23	\$ (48)
Investment in Methanex ^{3,4}	\$364	\$366	\$377
Market value of investment ⁵	\$260	\$302	\$123
Number of shares held by NOVA Chemicals (millions)	46.9	46.9	46.9
Percent ownership ⁶	35.8%	29.2%	27.1%

1 Beginning in January 2000, NOVA Chemicals adopted the Canadian Institute of Chartered Accountants new standards regarding

future income taxes which requires companies to record future (non-cash) income taxes on undistributed equity earnings.

2 Includes NOVA Chemicals' share of restructuring charges of \$3 million in 2001 and \$19 million in 1999.

3 Beginning in 2000, investment amount is shown net of future income tax liability of \$33 million in 2001 and \$34 million in 2000.

4 Original investment was \$265 million.

5 Based on year-end closing price of Methanex shares on NASDAQ.

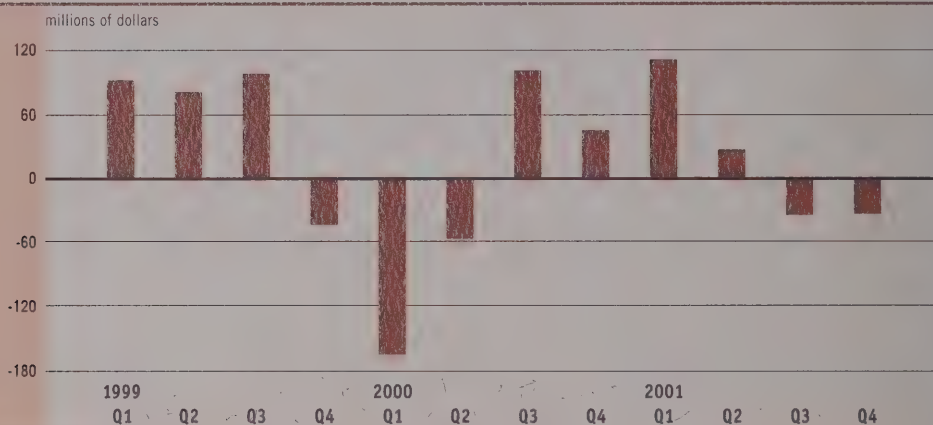
6 Increased as a result of not participating in Methanex's share buy-back and issuer bid programs.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

Economic conditions during 2001 resulted in a difficult year for NOVA Chemicals. Funds from operations fell to \$94 million in 2001 from \$611 million in 2000. As business conditions deteriorated, NOVA Chemicals took the necessary steps to focus on the areas it could control to generate cash and reduce debt.

DEBT CHANGES 1999-2001



Although NOVA Chemicals partially financed our \$1 billion Joffre expansion and our approximate \$1 billion in styrenics business acquisitions through debt, we also sold our interest in Dynegy Inc. for \$741 million in 2000 to pay down debt. During the last half of 2001, we further reduced debt by \$67 million through reductions in capital spending and working capital.

CAPITAL SPENDING

During 2001, the completion of our Joffre expansion allowed us to reduce capital spending to \$168 million from \$440 million in 2000.

We also spent \$54 million on scheduled turnaround activities at several plants. These turnarounds occur every three to four years and are required to ensure safe and efficient plant operations. In 2002, we have one major turnaround scheduled, the cost of which is not expected to exceed \$10 million.

WORKING CAPITAL

We reduced operating working capital by \$184 million in 2001, approximately half of which was due to lower inventories resulting from our prompt production cut backs as demand weakened. The other half was the result of softer market prices as well as reduced receivable balances. In addition, we modified supplier payment terms to extend payables.

NOVA Chemicals also has the ability to recover cash taxes paid in prior years to the Canadian and U.S. governments of approximately \$147 million, as a result of the losses incurred in 2001. These amounts are included in accounts receivable and we anticipate receiving these refunds by mid-2002 to further pay down debt.

In addition, we settled a dispute, dating back to 1968, with the U.S. Internal Revenue Service which resulted in a \$67 million cash payment to NOVA Chemicals, \$43 million of which was received during 2001. The balance was received in January 2002.

RESTRICTED CASH

NOVA Chemicals has \$78 million in cash on margin deposit related to retractable preferred shares (see note 12 to the consolidated financial statements). This restricted cash is included in "investments and other assets" in the consolidated balance sheet and was required as a result of the purchase of the retractable preferred shares by financial institutions from Huntsman. The amount of restricted cash is dependent upon the market value of NOVA Chemicals' 9.04% and 9.50% public preferred securities. In February 2002, the balance required to be on deposit was \$68 million.

A summary of cash inflows and outflows for the past three years is shown below:

(millions of dollars)	2001	2000	1999
INFLOWS			
Funds generated from operations	\$ 94	\$ 611	\$ 342
Reduction (increase) in operating working capital	184	(260)	53
Cash generated from operations	278	351	395
Dynegy sale proceeds	—	741	—
Preferred securities issued	—	—	165
Other	39	4	5
	317	1,096	565
OUTFLOWS			
Capital expenditures	(168)	(440)	(620)
Turnaround costs, long-term investments and other assets	(156)	(8)	(12)
Shell acquisition	—	(212)	—
Common share buy-back program	—	(150)	—
Dividends and distributions	(56)	(59)	(61)
Increase in non-operating working capital	(22)	(187)	(69)
Reduction (increase) in cash	17	32	(22)
Net Debt (Addition) Reduction	\$ (68)	\$ 72	\$ (219)

ASSET SALES

NOVA Chemicals is pursuing the sale of several non-strategic assets. In January 2002, we sold our interest in the Cochin Pipeline for \$64 million. We have other assets which, when sold, are expected to generate cash of \$100 to \$150 million.

DEBT TO TOTAL CAPITALIZATION

NOVA Chemicals' debt to total capitalization ratio rose to 48.5% by the end of 2001 from 42.9% in 2000. Of this 5.6% increase, 4.4% relates to lower equity, and 1.2% relates to higher debt levels. Total equity decreased by \$312 million during 2001. The largest reason for this was a \$140 million reduction in the book value of foreign assets as a result of lower Canadian and European exchange rates used to convert the book values of these assets to U.S. dollars. Equity was also reduced as a result of the net loss for the year and the payment of dividends.

NOVA Chemicals' target is to average about 40% debt to total capitalization over the course of the commodity chemical cycle. During trough conditions the ratio will tend to increase, and during peak times the ratio will tend to decrease.

CAPITALIZATION

December 31 (millions of dollars, except as noted)	2001	2000	1999
Long-term debt ¹	\$1,522	\$1,451	\$1,525
Shareholders' equity	1,614	1,926	1,964
Total capitalization	\$3,136	\$3,377	\$3,489
Debt to total capitalization	48.5%	42.9%	43.7%
Interest coverage (deficiency) on long-term debt ²	(1.7)X	4.8X	5.4X
EBITDA ³ /interest expense	0.7X	16.0X	7.8X

1 Includes current portion and bank loans.

2 Interest coverage (deficiency) on long-term debt is equal to net income (loss) before interest expense on long-term debt and income taxes divided by annual interest requirements on long-term debt.

3 Operating income adding back depreciation and restructuring charges.

CREDIT FACILITY

NOVA Chemicals' short-term liquidity needs are met through access to committed revolving credit facilities. On March 19, 2002, we received commitments from our existing banking syndicate to provide us with a new revolving credit facility of \$310 million expiring in March 2004. Financial covenants are as follows: (1) a maximum debt to total capitalization ratio of 55%; (2) minimum shareholders' equity of \$1.4 billion plus 50% of positive earnings and (3) minimum EBITDA to interest and preferred share dividends and distributions of (0.65)X for the three months ending March 31, 2002; (0.35)X for the six months ending June 30, 2002; 0.50X for the nine months ending September 30, 2002; 0.75X for the year ending December 31, 2002; 1.50X for the twelve months ending March 31, 2003 increasing by 0.50X each quarter thereafter until expiration.

In addition to the revolving facility, a bridge loan of up to \$200 million, expiring December 31, 2002, has been obtained to repay amounts due under the old revolving credit facility. Proceeds from asset sales and tax refunds will be used to repay this loan.

ACCOUNTS RECEIVABLE SECURITIZATION

NOVA Chemicals' off-balance sheet financing activities are limited to participation in accounts receivable securitization programs which NOVA Chemicals has been engaged in since 1999. We sell trade accounts receivable to third parties, on a revolving basis, to a maximum of \$195 million (see note 4 to the consolidated financial statements). This program diversifies our sources of financing.

At December 31, 2001, we sold \$154 million in receivables under the programs. Of this amount, \$109 million was sold via a special purpose entity (SPE) that is 100% owned by NOVA Chemicals. The SPE isolates the sold receivables and the related cash collections for the exclusive benefit of the purchasers. NOVA Chemicals has no right to any cash collected from these receivables, therefore neither the receivables nor any obligation to the purchasers, is reflected in our financial statements. We conduct no other business through SPE's.

CREDIT RATINGS

NOVA Chemicals' current debt ratings are as follows:

Senior Unsecured Debt	
Moody's	Baa3 (negative)
Standard & Poor's	BBB- (negative)
DBRS	BBB (low) (stable)

These ratings are investment grade. Any downgrade from these levels will result in non-investment grade ratings. While reducing spending, we are closely managing cash and selling non-strategic assets to help maintain our financial position and investment grade ratings

during the current economic downturn. If poor economic conditions persist and our ratings are lowered, we believe we would still have all necessary access to capital markets, although interest costs could increase.

COMMITMENTS

NOVA Chemicals has various commercial commitments as summarized below. Operating leases are for office space and railcars. Unconditional purchase obligations relate to minimum amounts of feedstock and other raw materials that must be purchased pursuant to agreements entered into to secure short and long-term supply. Prices are based on market or a cost plus basis and fluctuate with changes in the underlying raw material indices. Obligations have been calculated using current pricing for purposes of the chart below.

Contractual Cash Obligations (millions of dollars)	Total	Payments Due by Period			
		2002	2003 to 2004	2005 to 2006	After 2006
Long-term debt ¹	\$1,522	\$ 200	\$ 113	\$ 405	\$ 804
Operating leases	537	43	78	66	350
Unconditional ² purchase obligations	4,385	954	955	825	1,651
Total contractual cash obligations	\$6,444	\$1,197	\$1,146	\$1,296	\$2,805

1 Includes current portion and bank loans.

2 NOVA Chemicals could readily mitigate the impact of excess quantities of raw materials and feedstock commodities resulting from fixed purchase commitments by reselling these products at market prices.

HEDGING ACTIVITIES

The Audit, Finance and Risk Committee of NOVA Chemicals' Board of Directors regularly reviews foreign exchange, interest rate and commodity hedging activity and monitors compliance with our hedging policy. Our policy prohibits the use of financial instruments for speculative purposes and limits hedging activity to the underlying net economic exposure.

FOREIGN EXCHANGE HEDGING

NOVA Chemicals conducts business in various countries where certain revenues and expenses are determined in currencies other than the U.S. dollar. As a result, changes in exchange rates for these currencies will impact our earnings. The primary exposures relate to costs denominated in Canadian dollars and revenue in excess of costs denominated in Euros.

In 1995, our predecessor company, NOVA Corporation, put in place a hedging program which was assumed by NOVA Chemicals in July 1998. Our earnings exposure to the Canadian dollar was hedged through March 2003 with forward contracts to fix the exchange rate. Any gain or loss on the underlying exposure will be offset by the gain or loss on the forward contracts. Our hedging program involves \$640 million equivalent of Canadian dollar costs at an average exchange rate of one Canadian dollar = U.S. 70 cents. In 2001, the Canadian dollar averaged 65 cents per U.S. dollar. As a result of this, after-tax earnings in 2001 were \$29 million lower.

The unrecognized after-tax mark-to-market loss on these hedges was \$43 million based on a 63 cent Canadian dollar on December 31, 2001. We do not intend to add to the size or term of this hedging program.

We have not hedged our exposure to fluctuations in the Euro. A 1 cent increase in the Euro versus the U.S. dollar will increase after-tax earnings by approximately \$3 million.

COMMODITY HEDGING AND FEEDSTOCK ACQUISITION

NOVA Chemicals manages its exposure to fluctuating commodity prices on its physical feedstock requirements by varying the mix of fixed and floating price contracts and by entering into commodity futures contracts, swaps and options. The extent to which hedging instruments are used depends on market conditions and requires adherence to our hedging policy. We also limit our position in feedstock futures markets to our proprietary feedstock requirements and do not use hedging instruments for speculative purposes. As a result of our hedging activities, after-tax earnings in 2001 were \$55 million higher.

As of December 31, 2001, the net effect of all physical contracts, swaps and options was such that NOVA Chemicals had no commitment to purchase natural gas, crude oil condensate or natural gas liquids at fixed prices.

On December 31, 2001, the unrecognized after-tax mark-to-market gain of all commodity positions was \$14 million. The hedged positions in place cover approximately 10% of the expected volume of overall crude oil, natural gas liquids, and condensate feedstock requirements and 46% of the expected requirements for natural gas feedstocks during 2002.

INTEREST RATE HEDGING

NOVA Chemicals uses interest rate swaps to manage the mix between fixed and floating interest rate exposure. At December 31, 2001, we had fixed-for-floating swaps in place in the amount of \$550 million and the unrecognized after-tax mark-to-market loss was \$9 million.

During 2001, we crystallized a before-tax gain of \$27 million on a previous swap. The gain is being amortized over the life of the related debt, and \$24 million remained deferred at December 31, 2001.

At December 31, 2001, 42% of our debt had fixed interest rates averaging 7.3%, and 58% had floating interest rates averaging 3.5%.

For further details on hedging activities, please see note 23 to the consolidated financial statements.

DIVIDENDS AND DISTRIBUTIONS

COMMON SHARE DIVIDENDS

NOVA Chemicals pays dividends on its common shares, currently at the rate of 10 cents Canadian per quarter. There are no material restrictions on our ability to declare and pay dividends on our common shares. The declaration and payment of dividends is at the discretion of the Board of Directors of NOVA Chemicals, which will consider earnings, capital requirements, the financial condition of NOVA Chemicals and other relevant factors. It is, however, our intention to retain most of our earnings to support current operations, further reduce our debt and continue to pay dividends at historic levels.

PREFERRED SECURITIES DISTRIBUTIONS

NOVA Chemicals pays distributions on its preferred securities on a quarterly basis, at an annual rate of 9.50% on the \$210 million issue and 9.04% on the \$172.5 million issue. Distributions are tax deductible. We have the right, under certain conditions, to elect to defer payment of distributions on the securities for up to 20 consecutive quarterly periods. No distributions have been deferred to date.

PREFERRED SHARE DIVIDENDS

NOVA Chemicals pays 2% quarterly dividends on the \$198 million retractable preferred shares. These shares are retractable into 8.5 million common shares (plus preferred shares if the market value of such common shares is less than \$198 million). We have the option to repurchase the shares. We also entered into a total return swap with respect to these shares (see note 12 to the consolidated financial statements).

ACCOUNTING STANDARDS

Canadian accounting standards require NOVA Chemicals to implement the provisions of two new standards effective January 1, 2002.

STOCK BASED COMPENSATION

The new Stock Based Compensation standard, similar to the current U.S. approach, introduces recognition and measurement standards for stock-based compensation plans. To date, Canadian generally accepted accounting principles (GAAP) only dealt with disclosure standards. The new standard allows a choice of either valuing stock options at inception and recording this cost as compensation expense or charging equity when the options are exercised.

We currently follow the equity approach under both Canadian and U.S. GAAP and will continue this practice in 2002. Since pro-forma earnings per share information is currently provided in the U.S. GAAP note to our financial statements, no additional disclosures will be required to outline the impact of a fair value approach on earnings.

FOREIGN CURRENCY TRANSLATION

The new Foreign Currency Translation standard also harmonizes Canadian GAAP with U.S. GAAP by eliminating the deferral and amortization of unrealized translation gains and losses on foreign denominated monetary items with a fixed life. These new rules will have little impact on NOVA Chemicals since our Canadian dollar debt is designated as a partial hedge of our Canadian assets. The Canadian denominated debt is translated at current rates of exchange with the resultant gain or loss deferred in a separate component of Shareholders' Equity.

SUPPLEMENTAL EARNINGS MEASURES

In addition to providing earnings measures in accordance with Canadian GAAP, NOVA Chemicals presents certain supplemental earnings measures. These are earnings before interest, taxes, depreciation and amortization (EBITDA) and net income (loss) to common shareholders before unusual items. These measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

EBITDA

This measure is provided to assist investors in determining the ability of NOVA Chemicals to generate cash from operations. EBITDA can be determined from the Consolidated Statements of Income (Loss) by adding back depreciation and restructuring charges to operating income (loss).

NET INCOME (LOSS) TO COMMON SHAREHOLDERS BEFORE UNUSUAL ITEMS

This measure is provided to assist investors in assessing earnings performance from ongoing operations. Certain items such as gains and losses from sales of assets, restructuring charges and other unusual items are excluded if they are not considered to be in the ordinary course of business. A listing of unusual items (after-tax) for the periods presented is as follows:

Unusual items (millions of dollars)	Year ended December 31	2001	2000	1999
Restructuring charges		\$ (17)	\$ (71)	\$ (12)
Tax settlements with IRS		44	—	—
Loss on hedges of former economic exposures		—	—	(60)
Methanex asset write-down and restructuring charges		(3)	—	(19)
Reductions in income tax rates on future tax liabilities		17	29	—
Gain on sale of Dynegy Inc. preferred shares		—	21	184
Income (expense)		\$ 41	\$ (21)	\$ 93

ENVIRONMENTAL COSTS

The risk of substantial environmental costs and liabilities is inherent in certain operations and products of NOVA Chemicals, as it is with other companies engaged in similar businesses. Material costs and liabilities, including uninsured liabilities, may be incurred with respect to future operations.

NOVA Chemicals also has liabilities and obligations under applicable environmental laws and regulations in connection with discontinued operations. In addition, we have specific contractual obligations with respect to pre-closing environmental conditions at certain facilities divested by predecessor companies. Environmental investigations have been or are being conducted in accordance with governmental standards and guidelines at these discontinued operations and facilities. Remedial work based on these investigations has commenced. The estimated liability of \$15 million to dismantle and remediate discontinued facilities and sites has been provided for in our financial statements. We spent \$3 million on these remediation activities in 2001 and expect to spend \$2 million in 2002. At some locations, we negotiated agreements to recover a portion of these costs from third parties on the basis of their previous activities.

NOVA Chemicals has also accrued \$14 million for environmental costs related to sites currently being operated. Although the ultimate costs to dismantle and remediate these sites is not known, we are accruing, over the life of these assets, minimum amounts we deem appropriate given current remediation standards and technology.

Environmental expenditures, including pollution abatement and remedial programs, were \$25 million in 2001, \$22 million in 2000 and \$28 million in 1999. They are estimated to be \$21 million in 2002.

CONSOLIDATED SIX-YEAR REVIEW

NOVA CHEMICALS CORPORATION

(millions of U.S. dollars, except per share amounts, ratios and miscellaneous data) ¹	2001	2000	1999	1998	1997	1996
OPERATING RESULTS						
Revenue	\$ 3,194	3,916	2,808	2,075	2,285	2,069
Operating income (loss)	\$ (195)	414	305	103	229	271
Net income (loss)	\$ (128)	302	253	18	111	153
Total assets	\$ 4,359	4,754	4,559	3,580	2,687	2,635
CAPITALIZATION						
Current bank loans	\$ 14	28	—	—	57	—
Long-term debt ²	1,508	1,423	1,525	1,297	726	735
Shareholders' equity ³	1,614	1,926	1,964	1,512	1,173	1,257
Total capitalization	\$ 3,136	3,377	3,489	2,809	1,956	1,992
CASH FLOW DATA						
Plant, property & equipment additions	\$ 168	440	620	367	223	175
Cash from operations	\$ 278	351	395	198	227	123
Net debt additions (repayments) ⁴	\$ 68	(72)	219	502	23	214
SUPPLEMENTAL EARNINGS MEASURES						
Net income (loss) to common shareholders before unusual items ⁵	\$ (202)	287	124	28	152	175
Net income (loss) to common shareholders after unusual items	\$ (161)	266	217	16	111	153
DATA PER COMMON SHARE⁶						
Net income (loss) before unusual items ⁵ —basic	\$ (2.37)	3.23	1.34	0.30	1.65	1.90
—diluted ⁷	\$ (2.37)	3.06	1.32	0.30	1.65	1.90
Net income (loss) after unusual items—basic	\$ (1.88)	3.00	2.35	0.17	1.21	1.66
—diluted ⁷	\$ (1.88)	2.84	2.26	0.17	1.21	1.66
Common shareholders' equity at year-end ^{3,8}	\$ 13.05	16.52	15.58	12.96	12.75	13.66
RATIOS						
Return on average common equity ⁹	%(16.5)	21.2	9.9	2.3	12.2	14.1
Debt to total capitalization ⁴	%48.5	42.9	43.7	46.2	40.0	36.9
Funds flow coverage of financial charges ¹⁰	1.7x	6.0x	4.2x	3.6x	5.3x	7.1x
MISCELLANEOUS DATA						
Employees at year-end ¹¹	4,600	4,700	4,700	4,200	3,400	3,400
Closing share price ¹² —TSE (Cdn\$)	30.75	28.10	28.25	20.00	N/A	N/A
—NYSE (U.S.\$)	19.27	18.81	19.31	13.06	N/A	N/A

1 For all periods prior to July 2, 1998, Canadian dollar amounts have been restated in U.S. dollars using an exchange rate of \$1.00 Canadian = U.S. \$0.68.

2 Includes current portion of long-term debt.

3 All years prior to 1998 are net of advances to parent and affiliates.

4 Includes current bank loans.

5 Unusual items were \$41 million in 2001, \$(21) million in 2000 and \$93 million in 1999 (see page 40 of the Management Discussion and Analysis for a complete listing). Unusual items were \$(12) million in 1998 (restructuring charge), \$(41) million in 1997 (\$39) million—NOVA Chemicals' share of Dynege restructuring charge and \$(2) million—other) and \$(22) million in 1996 (NOVA Chemicals' share of Methanex restructuring charge).

6 85 million weighted average common shares outstanding in 2001 (89 million in 2000, 93 million in 1999, and assumes 92 million in all other comparative periods).

7 On January 1, 2001, NOVA Chemicals adopted the new Earnings Per Share standard required by the Canadian Institute of Chartered Accountants (CICA). The new standard requires the use of the treasury stock method rather than the imputed earnings method for the calculation of diluted earnings per share. Comparative numbers have been restated.

8 1998 to 2001, inclusive, assume the retractable preferred shares were exchanged for 8.5 million common shares.

9 Net income (loss) to common shareholders before unusual items divided by average common equity excluding preferred securities and retractable preferred shares. 1997 and 1996 average common equity is net of advances to parent and affiliates.

10 Funds from operations plus interest expense (net) less interest income divided by gross interest expense.

11 1999 includes the addition of Shell employees; 1998 includes the addition of Huntsman employees.

12 NOVA Chemicals was launched as an independent, publicly traded company on July 2, 1998. As a result, no comparable share price information is available prior to that date.

SUMMARIZED QUARTERLY FINANCIAL INFORMATION

Three months ended (unaudited; millions of U.S. dollars, except per share amounts)	2001				2000			
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30	Dec 31
Revenue	\$ 964	833	743	654	938	970	988	1,020
Operating income (loss)	\$ (4)	(11)	(80)	(100)	125	175	158	(44)
Net income (loss)	\$ 24	3	(57)	(98)	78	126	101	(3)
Net income (loss) per share—basic	\$0.18	(0.07)	(0.76)	(1.23)	0.75	1.30	1.05	(0.14)
—diluted ¹	\$0.17	(0.07)	(0.76)	(1.23)	0.72	1.20	0.98	(0.14)
Weighted average common shares outstanding (millions)	84.9	85.3	85.7	85.7	91.9	89.7	87.6	85.5

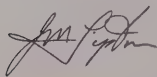
1 On January 1, 2001, NOVA Chemicals adopted the new Earnings Per Share standard required by the CICA. The new standard requires the use of the treasury stock method rather than the imputed earnings method for the calculation of diluted earnings per share. Comparative numbers have been restated.

TO THE SHAREHOLDERS OF NOVA CHEMICALS CORPORATION

The consolidated financial statements and other financial information included in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods and reasonable estimates have been used in the preparation of this information. They also ensure that all information presented is consistent.

Management is also responsible for developing internal controls over the financial reporting process. The internal control system includes an internal audit function and an established business conduct policy. Management believes the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports. Management also believes that NOVA Chemicals' operations are conducted in conformity with the law and with a high standard of business conduct.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit, Finance and Risk Committee. The Committee, which consists solely of non-management directors, reviews the financial statements and annual report and recommends them to the Board for approval. The Committee meets with management, internal auditors and external auditors to discuss internal controls, auditing matters, and financial reporting issues. Internal and external auditors have full and unrestricted access to the Audit, Finance and Risk Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.



Jeffrey M. Lipton
President & Chief Executive Officer
March 7, 2002
Calgary, Canada



Larry A. MacDonald
Senior Vice President & Chief Financial Officer

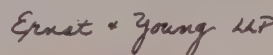
AUDITORS' REPORT

TO THE SHAREHOLDERS OF NOVA CHEMICALS CORPORATION

We have audited the consolidated balance sheets of NOVA Chemicals Corporation as at December 31, 2001, 2000, and 1999 and the consolidated statements of income (loss) and reinvested earnings and cash flow for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian and United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NOVA Chemicals Corporation as at December 31, 2001, 2000, and 1999 and the results of its operations and its cash flow for each of the years in the three-year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.



March 7, 2002
Calgary, Canada

Ernst & Young LLP
Chartered Accountants

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND REINVESTED EARNINGS

NOVA CHEMICALS CORPORATION

Year ended December 31 (millions of U.S. dollars, except per share amounts)	2001	2000	1999
REVENUE	\$3,194	\$3,916	\$2,808
Feedstock and operating costs	2,901	2,960	2,159
Research and development	40	39	31
Selling, general and administrative	191	197	140
Restructuring charges (note 16)	27	118	18
Depreciation	230	188	155
	3,389	3,502	2,503
Operating income (loss)	(195)	414	305
Interest expense (notes 4 and 9)	(88)	(45)	(61)
Equity in earnings (losses) of affiliates (note 6)	14	32	(11)
Other gains (note 17)	58	32	251
	(16)	19	179
Income (loss) before income taxes	(211)	433	484
Income tax recovery (expense) (note 18)	83	(131)	(231)
NET INCOME (LOSS)	(128)	302	253
Reinvested earnings, beginning of year	924	814	627
Repurchased shares (note 13)	—	(109)	—
Change in accounting policies (note 2)	—	(24)	—
Common share dividends	(23)	(23)	(25)
Preferred securities dividends and distributions	(33)	(36)	(36)
Preferred securities issue costs	—	—	(5)
Reinvested earnings, end of year	\$ 740	\$ 924	\$ 814
Weighted average number of common shares outstanding (millions)	85	89	93
Net income (loss) per common share—basic	\$ (1.88)	\$ 3.00	\$ 2.35
—diluted (notes 2 and 13)	\$ (1.88)	\$ 2.84	\$ 2.26

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

NOVA CHEMICALS CORPORATION

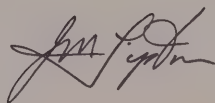
December 31, (millions of U.S. dollars)	2001	2000	1999
ASSETS			
Current assets			
Cash and cash equivalents	\$ 10	\$ 27	\$ 59
Accounts receivable (note 4)	362	451	226
Inventories (note 5)	279	533	380
Sale proceeds receivable	—	—	542
	651	1,011	1,207
Investments and other assets (note 6)	549	447	589
Plant, property and equipment, net (note 7)	3,159	3,296	2,763
	\$4,359	\$4,754	\$4,559
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank loans	\$ 14	\$ 28	\$ —
Accounts payable and accrued liabilities (note 8)	437	617	563
Long-term debt installments due within one year (note 9)	186	17	385
	637	662	948
Long-term debt (note 9)	1,322	1,406	1,140
Deferred credits (note 10)	786	760	507
	2,745	2,828	2,595
Contingencies and commitments (notes 9 and 21)			
SHAREHOLDERS' EQUITY			
Preferred securities (note 11)	383	383	383
Retractable preferred shares (note 12)	198	198	198
Common shares (note 13)	472	460	497
Cumulative translation adjustment	(179)	(39)	72
Reinvested earnings	740	924	814
	1,614	1,926	1,964
	\$4,359	\$4,754	\$4,559

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Kerry L. Hawkins, Director



Jeffrey M. Lipton, Director

CONSOLIDATED STATEMENTS OF CASH FLOW

NOVA CHEMICALS CORPORATION

Year ended December 31 (millions of U.S. dollars)	2001	2000	1999
OPERATING ACTIVITIES			
Net income (loss)	\$(128)	\$ 302	\$ 253
Depreciation	230	188	155
Future income taxes (recovery)	(4)	93	94
Other (gains) and losses (net of current tax)	—	60	(173)
Equity in (earnings) losses of affiliates	(14)	(32)	11
Asset write-downs and other	10	—	2
Funds from operations	94	611	342
Changes in non-cash working capital (note 19)	184	(260)	53
Cash from operations	278	351	395
INVESTING ACTIVITIES			
Investment sale proceeds	—	741	—
Shell acquisition (note 3)	—	(212)	—
Plant, property and equipment additions	(168)	(440)	(620)
Turnaround costs, long-term investments and other assets	(156)	(8)	(12)
Changes in non-cash working capital (note 19)	(16)	(186)	17
	(340)	(105)	(615)
FINANCING ACTIVITIES			
Increase (decrease) in current bank loans	(14)	28	—
Proceeds on crystallization of swap positions	27	—	—
Long-term debt additions	302	170	272
Long-term debt repayments	(61)	(385)	(187)
Increase (decrease) in revolving debt	(159)	115	134
Preferred securities issued	—	—	165
Preferred securities dividends and distributions	(33)	(36)	(36)
Common shares issued	12	4	5
Common shares repurchased	—	(150)	—
Common share dividends	(23)	(23)	(25)
Changes in non-cash working capital (note 19)	(6)	(1)	(86)
	45	(278)	242
Increase (decrease) in cash and cash equivalents	(17)	(32)	22
Cash and cash equivalents, beginning of year	27	59	37
Cash and cash equivalents, end of year	\$ 10	\$ 27	\$ 59

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

ALL AMOUNTS IN U.S. DOLLARS UNLESS OTHERWISE NOTED

1 | BASIS OF PRESENTATION

NOVA Chemicals became an independent, publicly traded corporation on July 2, 1998 following the merger of NOVA Corporation and TransCanada Pipelines Limited. NOVA Chemicals is incorporated under the laws of Alberta, Canada. Where used in these financial statements, "NOVA Chemicals" or "the Corporation" means NOVA Chemicals Corporation alone or together with its subsidiaries and affiliates, depending on the context in which such terms are used. The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the proportionate share of the accounts of its joint ventures.

These consolidated financial statements have been prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles (GAAP). These accounting principles are different in some respects from those generally accepted in the United States and the significant differences are described in Note 24, United States Generally Accepted Accounting Principles.

The Corporation measures and reports its consolidated financial statements in U.S. dollars.

2 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHANGE IN ACCOUNTING POLICY—EARNINGS PER SHARE

Effective January 1, 2001, NOVA Chemicals implemented the new Earnings Per Share standard of the Canadian Institute of Chartered Accountants (CICA) with regard to the calculation of diluted earnings per share. The new methodology establishes dilution assuming proceeds from the exercise of dilutive warrants and options are used to purchase common shares at the average market price. The old methodology imputed earnings on reinvestment of assumed proceeds. Diluted earnings per share numbers of prior years have been restated (see note 13). Diluted earnings (loss) per share under the old methodology would have been \$(1.88) in 2001, \$2.71 in 2000 and \$2.19 in 1999.

COST OF SERVICE

Under the terms of certain sales agreements, the Corporation sells ethylene on a take-or-pay basis, for a price determined by a cost-of-service formula that includes the cost of fuel and feedstock, operating expenses, depreciation, income taxes, return on capital and realized foreign exchange gains or losses in respect of debt service. The return on capital includes a 20% after-tax return on equity based on a deemed debt to equity ratio.

CASH AND CASH EQUIVALENTS

Short-term investments extending not greater than 30 days are considered to be cash equivalents, and are recorded at cost, which approximates current market value.

FOREIGN CURRENCY TRANSLATION

The Corporation's foreign operations are considered self-sustaining and were translated into Canadian dollars up to December 30, 1999, using the current rate method. On December 31, 1999, NOVA Chemicals began measuring its consolidated financial statements in U.S. dollars, thereby requiring foreign operations to be translated to U.S. dollars using the current rate method on a prospective basis. Resulting translation gains or losses are deferred in a separate component of common shareholders' equity entitled Cumulative Translation Adjustment (CTA) until there is a realized reduction of the investment in the foreign operations. The CTA balance represents the net unrealized foreign currency translation gain (loss) on the Corporation's net investment in self-sustaining foreign operations.

The change in measurement currency to the U.S. dollar on December 31, 1999 had no significant effect on the Corporation's financial statements other than the impact on accounting for NOVA Chemicals' hedged position (see note 23).

Foreign-denominated long-term monetary items, principally long-term debt, are translated at the current rate of exchange and the resulting gains or losses are deferred in CTA since Canadian dollar debt is designated as a hedge of Canadian assets.

HEDGING ACTIVITIES

The Corporation enters into derivative contracts to reduce its exposure to changes in feedstock prices and fluctuations in interest and foreign exchange rates. Gains or losses on the hedging instruments are recognized when the hedged transactions mature. They offset the effects of changes in commodity purchase prices, interest payments and foreign exchange gains or losses on foreign cash flows (see note 23).

INVENTORIES

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis with no allocation of fixed production overhead.

INVESTMENTS

Investments in affiliates, over which the Corporation exercises significant influence, but not control, are accounted for by the equity method. Under this method, the investment is carried at cost plus the related share of undistributed earnings. Other investments, except investments in joint ventures, are carried at cost.

JOINT VENTURES

NOVA Chemicals applies the proportionate consolidation method of accounting for its investments in joint venture operations. Under the proportionate consolidation method, NOVA Chemicals records, on a line-by-line basis within its financial statements and notes, its pro rata share of the joint venture's assets, liabilities, revenues, expenses and cash flows.

PLANT, PROPERTY & EQUIPMENT

NOVA Chemicals' plant, property and equipment consists primarily of manufacturing equipment, land and buildings for producing petrochemicals. Plant, property and equipment is valued at historical cost. When it is determined that an asset's undiscounted cash flows are below carrying value, NOVA Chemicals writes down the asset to net realizable value. In management's judgement, the estimated undiscounted cash flows generated by the Corporation's assets are in excess of their carrying amount. Financing costs incurred during major construction are capitalized as part of the cost of the asset until the asset is available for use. Future removal and site restoration costs are provided for on a straight-line basis over the expected remaining economic lives of the assets when such costs can be reasonably determined.

Costs related to turnaround activities are capitalized and amortized over the period remaining to the next turnaround activity, while maintenance and repair costs are expensed as incurred.

DEPRECIATION

Plant and equipment are depreciated on a straight-line basis at annual rates ranging from 5% to 33%. These rates are designed to write the assets off over their estimated useful lives. The Alberta ethylene plants and the hydrogen plant are depreciated over the lives of the related sales agreements.

DEFERRED START-UP COSTS

Costs associated with start-up activities on constructed plants such as the new ethylene plant, the cogeneration facility, and the new polyethylene plant utilizing Advanced SCLAIRTECH technology in Joffre, Alberta, are deferred from the date of mechanical completion of the facilities until the date of commercial service. Revenues earned during this period are credited to deferred start-up costs. Amortization of these costs is over a 5-year period.

INCOME TAXES

Cost-of-service activities operate under billing structures that allow NOVA Chemicals to recover related income tax costs from customers based on the taxes payable method. NOVA Chemicals records income tax expense on these operations equal to recoverable amounts.

NOVA Chemicals adopted the recommendations of the CICA with respect to accounting for future income taxes on January 1, 2000. For non-cost-of-service operations, the liability method of tax allocation accounting was adopted and applied retroactively on a cumulative adjustment basis. Under the liability method, future tax assets and liabilities are determined based on differences between the accounting and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Deferred tax expense was based on differences in the timing of reporting income and expenses in financial statements and tax returns.

Under the liability method, future income taxes are also provided on the difference between the accounting and tax basis of equity investments. One of these differences results from recording equity earnings (losses) for accounting purposes. Accordingly, income tax expense (recovery) is now provided on equity earnings (losses). Previously, such taxes were not recorded until the investment was sold.

The effect of adopting the new recommendations on NOVA Chemicals' balance sheet was to increase the carrying value of plant, property and equipment and future income tax liabilities by \$297 million and \$353 million, respectively, and reduce shareholders' equity by \$56 million as at January 1, 2000. Because of the increase in plant, property and equipment, depreciation expense will increase in 2000 and future years. This increase will be offset by an equal reduction in future income taxes.

EMPLOYEE FUTURE BENEFITS

As of January 1, 2000, NOVA Chemicals adopted the CICA accounting recommendations with respect to employee future benefits. The accounting change was applied prospectively and resulted in a \$51 million increase in a net employee future benefit asset (\$33 million after-tax) that will be amortized as a reduction of pension and post-retirement expense over the expected average remaining service lifetime of employees.

Pension Plans

NOVA Chemicals sponsors both defined benefit and defined contribution pension arrangements covering substantially all employees.

The cost of defined benefit pensions is determined using the projected benefit method prorated on employment services and is expensed as the employees provide services. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lifetime of the employee group. Gains or losses arising from plan curtailments and settlements are recognized in the year in which they occur. For purposes of calculating the expected return on plan assets, pension assets are revalued at fair value. The cost of defined contribution benefits is expensed as earned by employees. NOVA Chemicals makes contributions in accordance with plan agreements.

Post-retirement benefits other than pensions

In North America, NOVA Chemicals provides medical care and life insurance benefits to eligible retirees and their dependents. Post-retirement benefit costs are expensed as the employees provide services.

DEFERRED SHARE UNIT PLANS

Units issued under the Plans are calculated based on annual management incentive awards or non-employee director fees. The cost of the units earned is expensed as employees and non-employee directors provide services. Any adjustments to the value of the units as a result of expected changes in NOVA Chemicals' common stock value are amortized on a straight-line basis over the estimated average remaining service lifetime of individuals participating in the Plans.

STOCK-BASED COMPENSATION PLAN

The Corporation has a stock-based compensation plan for which no compensation expense is recognized where stock or stock options are issued to and paid for by employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock repurchased or stock options cancelled, is charged to reinvested earnings.

SECURITIZATIONS

Securitization transactions are recorded as sales of assets based on the transfer of control to the purchaser. Transactions recorded in this manner result in the removal of the sold assets from the Corporation's balance sheet. Interest and discount fees, net of servicing fees, on the portfolio of sold receivables are recorded as interest expense.

MEASUREMENT UNCERTAINTY

The preparation of these consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ materially from those estimates.

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

3 | ACQUISITION

On January 31, 2000, the Corporation acquired Royal Dutch/Shell's European polystyrene operations (Shell) for \$185 million plus working capital of \$27 million.

The acquisition was accounted for using the purchase method, with the purchase price and related costs allocated as follows:

(millions of dollars)

Net assets acquired at assigned values	
Net current assets	\$ 27
Plant, property and equipment	210
Other assets	11
	\$248
Cash consideration	\$212
Transaction and integration costs	36
	\$248

4 | ACCOUNTS RECEIVABLE

December 31 (millions of dollars)	2001	2000	1999
Trade	\$154	\$262	\$155
Other	74	133	75
Allowance for doubtful accounts	(13)	(10)	(4)
	215	385	226
Income taxes receivable	147	66	—
	\$362	\$451	\$226

ACCOUNTS RECEIVABLE SECURITIZATIONS

Beginning in 1999, the Corporation sold undivided interests in certain trade accounts receivable in revolving securitization transactions in which the Corporation retains servicing responsibilities. The Corporation is subject to certain recourse provisions under the agreements and has provided reserves to cover bad debt losses, as well as discounts, rebates and other non-cash reductions (dilution) on sold accounts receivable. As collections reduce previously sold interests, new accounts receivable are sold, to a maximum amount equal to the lesser of eligible receivables or \$195 million. The proceeds of sale are equal to the face amount of the accounts receivable sold and the sales are reflected as a reduction of accounts receivable and as operating cash flows. The Corporation pays fees approximating the purchasers' financing cost of issuing its own commercial paper backed by these accounts receivable.

Information regarding the Corporation's securitization programs is as follows:

December 31 (millions of dollars, unless otherwise noted)	2001	2000	1999
Facility limit and amount sold at end of year	\$154 ¹	\$195	\$195
Loss, dilution and other reserves (minimum, as a % of accounts receivable sold)	13%	7%	7%
Interest expense, net of servicing fees	\$ 7	\$ 11	\$ 2

1 During 2001, NOVA Chemicals was required to repay \$41 million of the facility due to decreases in accounts receivable balances. \$24 million of this amount is reflected in accrued liabilities at December 31, 2001 (see note 8).

One of the Corporation's securitization transactions involves the use of a special purpose entity (SPE). Information regarding the cash flows between the Corporation and the SPE are as follows:

December 31 (millions of dollars)	2001	2000	1999
Proceeds from (repayment of) new securitizations	\$ (26)	\$ —	\$135
Proceeds from collections reinvested in revolving period securitizations ¹	\$1,410	\$1,562	\$266
Servicing fees received	\$ 2	\$ 2	\$ —
Other cash flows received	\$ 48	\$ 153	\$ —

1 Collections received by the SPE on accounts receivable previously sold are used to purchase interests in new accounts receivable.

5 | INVENTORIES

December 31 (millions of dollars)	2001	2000	1999
Materials and supplies	\$ 38	\$ 38	\$ 34
Raw materials	93	172	114
Finished goods	148	323	232
	\$279	\$533	\$380

6 | INVESTMENTS AND OTHER ASSETS

Year ended December 31 (millions of dollars)	2001		2000		1999	
	Investment	Equity Earnings	Investment	Equity Earnings	Investment	Equity Earnings (Losses)
Equity investments						
Methanex ¹	\$397	\$14	\$400	\$32	\$377	\$(48)
Dynegey Inc.	—	—	—	—	—	37
Other investments ²	17	—	17	—	23	—
Other assets	135	—	30	—	189	—
	\$549	\$14	\$447	\$32	\$589	\$(11)

1 Equity earnings (losses) include \$3 million (2000—\$nil and 1999—\$19 million) representing NOVA Chemicals' share of Methanex's restructuring charges.

2 Includes an investment of \$15 million in a special purpose entity with respect to the accounts receivable securitization program described in Note 4.

METHANEX CORPORATION

In 2001, Methanex completed a substantial issuer bid for repurchase of 18% of its outstanding common shares and commenced a normal course issuer bid for repurchase of 10% of its outstanding common shares. NOVA Chemicals did not tender any of its shares and as a result, the Corporation's holding in Methanex rose to 35.8% at December 31, 2001 (2000—29.2% and 1999—27.1%). The market value of NOVA Chemicals' investment in Methanex shares at December 31, 2001 was approximately \$260 million (2000—\$302 million and 1999—\$123 million). After deducting future income taxes, NOVA Chemicals' net investment in Methanex was \$364 million on December 31, 2001. Methanex operates in a highly cyclical business and its share price can fluctuate significantly. NOVA Chemicals continues to believe it can more than recover the book value of its investment. During 2001, the market value of the Corporation's investment was as high as \$420 million and was \$339 million on March 7, 2002.

The following is summarized financial information for Methanex:

Year ended December 31 (millions of dollars)	2001	2000	1999
Revenue	\$1,149	\$1,061	\$ 695
Operating expenses and depreciation	\$1,024	\$ 866	\$ 801
Net income (loss) ¹	\$ 71	\$ 145	\$(150)

December 31 (millions of dollars)	2001	2000	1999
Current assets	\$ 576	\$ 664	\$ 462
Plant, property and equipment & other assets	1,117	1,140	1,182
Current liabilities	(265)	(137)	(123)
Long-term liabilities	(493)	(622)	(565)
Shareholders' equity	\$ 935	\$1,045	\$ 956

Year ended December 31 (millions of dollars)	2001	2000	1999
Cash inflows (outflows) from:			
Operating activities	\$ 376	\$ 216	\$ 8
Financing activities	\$ (188)	\$ (78)	\$ (5)
Investing activities	\$ (83)	\$ (63)	\$ (138)

1 2001 includes an \$11 million asset restructuring charge (1999—\$14 million). 1999 also includes an asset write-down of \$55 million.

PURCHASE PRICE EXCESS

The cost of the Corporation's investment in Methanex exceeded NOVA Chemicals' share of its underlying net book value at acquisition date. Purchase price excess is allocated to plant, property and equipment and is amortized over twenty years. Amortization expense was \$6 million in 2001 (2000—\$8 million and 1999—\$7 million). At December 31, 2001, the unamortized purchase price excess was \$64 million after consideration of Methanex's share buy-back programs (2000—\$81 million and 1999—\$92 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

OTHER ASSETS

Other assets are mainly comprised of the following:

December 31 (millions of dollars)	2001	2000	1999
Restricted cash on retractable preferred shares (note 12)	\$ 78	\$ —	\$ —
Deferred debt issue costs ¹	16	8	8
Deferred start-up costs ²	18	—	—
Other	23	22	14
Dynegy Inc. preferred shares	—	—	167
	\$135	\$30	\$189

1 Debt issue costs are amortized on a straight-line basis over the terms of the related debt instruments.

2 Start-up costs consist of operating losses on constructed assets in Joffre, Alberta. These costs were deferred on the facilities until commercial production levels were achieved in 2001. Start-up costs are amortized over 5 years beginning in 2001.

PETROCHEMICAL JOINT VENTURES

NOVA Chemicals owns a 50% interest in an ethylene plant and a 20% interest in a cogeneration facility located at Joffre, Alberta. Both facilities were mechanically complete and achieved commercial production in December 2000. In addition, the Corporation has a 50% interest in the Fort Saskatchewan Ethylene Storage Limited Partnership and a 33.3% interest in an ethane gathering system in Alberta. NOVA Chemicals also owned a 20% interest in the Cochin Pipeline, which transports ethane, ethylene and other products from Alberta to markets in Ontario and the United States (see note 25).

The following is summarized financial information for NOVA Chemicals' interests in these joint ventures, which the Corporation reports on a line-by-line basis in its accounts:

Year ended December 31 (millions of dollars)	2001	2000	1999
Revenue	\$ 144	\$ 61	\$ 34
Operating expenses, depreciation & income taxes	(138)	(48)	(24)
Net income	\$ 6	\$ 13	\$ 10

December 31 (millions of dollars)	2001	2000	1999
Current assets	\$ 20	\$ 31	\$ 7
Plant, property and equipment & other assets	514	562	473
Current liabilities	(25)	(37)	(7)
Long-term liabilities	(28)	(24)	(22)
Venturers' equity	\$ 481	\$532	\$ 451

Year ended December 31 (millions of dollars)	2001	2000	1999
Cash inflows (outflows) from:			
Operating activities	\$ 31	\$ 19	\$ 15
Financing activities	\$ 2	\$ 2	\$ 22
Investing activities	\$ (14)	\$ (91)	\$ (284)

7 | PLANT, PROPERTY & EQUIPMENT

December 31 (millions of dollars)	2001	2000	1999
Plant and equipment	\$ 4,818	\$ 4,218	\$ 3,361
Land	33	31	30
Under construction	85	702	921
	4,936	4,951	4,312
Accumulated depreciation	(1,777)	(1,655)	(1,549)
Net book value	\$ 3,159	\$ 3,296	\$ 2,763

8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31 (millions of dollars)	2001	2000	1999
Accounts payable			
Trade	\$241	\$351	\$229
Other	20	31	23
	261	382	252
Accrued liabilities			
Interest	21	23	20
Accounts receivable securitization programs ¹	24	—	—
Deferred credit on hedges of former economic exposures ²	16	37	38
Site cleanup and restoration	3	4	4
Dividends	7	13	14
Income taxes payable	—	—	74
Other	105	158	161
	176	235	311
	\$437	\$617	\$563

1 Represents amounts repayable pursuant to the Corporation's accounts receivable securitization programs (see note 4).

2 Represents portion of deferred credit on hedges of former economic exposures maturing within one year (see notes 10 and 23).

9 LONG-TERM DEBT

December 31 (millions of dollars, unless otherwise noted)	2001	2000	1999
	Average Year-end Interest Rate ¹	Average Year-end Interest Rate	Average Year-end Interest Rate
Maturity	Debt	Debt	Debt
Unsecured debentures and notes 2005 to 2028	\$ 632 7.3%	\$ 642 74%	\$ 625 7.1%
Unsecured loans 2003	295 2.9%	454 6.1%	339 5.5%
Medium-term notes 2006 to 2009	550 3.7%	250 74%	250 7.4%
Other unsecured debt 2004 to 2020	31 6.3%	77 7.5%	91 6.3%
Huntsman Acquisition Facility 2000	— —	— —	220 6.8%
	1,508	1,423	1,525
Less installments due within 1 year	(186)	(17)	(385)
	\$1,322	\$1,406	\$1,140

1 Average year-end interest rates include the effects of interest rate swaps (see note 23).

UNSECURED DEBENTURES AND NOTES

These debentures and notes are unsecured borrowings which rank pari passu in all respects with other unsecured and unsubordinated debt of the Corporation.

Maturity	Stated Interest Rate (%)	Debt	
December 31 (millions of dollars, unless otherwise noted)	2001	2000	1999
2005	7.0	\$100	\$100
2010 ¹	7.85	157	—
2025 ²	7.875	100	100
2026 ³	7.0	150	150
2028 ⁴	7.25	125	125
2000	6.5	—	150
	\$632	\$642	\$625

1 \$250 million Canadian; redeemable at the option of the Corporation at any time.

2 Redeemable at the option of the Corporation on or after September 15, 2005.

3 Redeemable at the option of the holders on or after August 15, 2003.

4 Redeemable at the option of the holders on or after August 15, 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

UNSECURED LOANS

The Corporation has a committed credit facility from a syndicate of Canadian and U.S. banks of \$500 million (\$800 million Canadian). The credit facility provides for borrowings under a revolving line of credit and the issuance of letters of credit. Drawings under the revolving line of credit are at floating rates with a 364-day renewable revolving period with a six-month term out option. In 2002, the available facility will be reduced by a minimum of \$50 million per quarter. The facility will be further reduced by the amount of any asset sale proceeds in excess of the minimum \$50 million per quarter reduction. Committed credit facility reductions will occur until the facility reaches \$350 million at the renewal date of October 31, 2002.

MEDIUM-TERM NOTES

The notes are unsecured borrowings ranking pari passu with all other unsecured and unsubordinated debt. The \$300 million 7% notes are due in May 2006 and are not redeemable by the Corporation or the holders prior to maturity. The \$250 million 7.4% notes are due in April 2009 and the Corporation may redeem them at any time.

REPAYMENT REQUIREMENTS

Repayment requirements in respect of long-term debt for the five years following December 31, 2001 are:

	(millions of dollars)
2002	\$186
2003	\$113
2004	\$ —
2005	\$103
2006	\$302

INTEREST EXPENSE

Year ended December 31 (millions of dollars)	2001	2000	1999
Interest on long-term debt	\$ 96	\$ 98	\$ 91
Interest on bank loans and securitizations	8	10	4
Other	4	2	1
Gross interest expense	108	110	96
Interest capitalized during plant construction	(18)	(59)	(34)
Interest income	(2)	(6)	(1)
Interest expense (net)	\$ 88	\$ 45	\$ 61

10 DEFERRED CREDITS

December 31 (millions of dollars)	2001	2000	1999
Future income taxes (notes 2 and 18)	\$615	\$601	\$305
Pension and post-retirement benefit obligations	83	68	67
Deferred gain on swap settlement ¹	24	—	—
Site cleanup and restoration	26	31	33
Deferred credit on hedges of former economic exposures ²	3	20	57
Other	35	40	45
	\$786	\$760	\$507

1 Represents the unamortized portion of deferred gain on crystallization of a series of fixed for floating interest rate swaps (see note 23).

2 Represents the long-term portion of deferred credit on hedges of former economic exposures (see note 23). For current portion maturing within the year, see note 8.

11 | PREFERRED SECURITIES

On January 26, 1999 and October 22, 1998, NOVA Chemicals issued \$172.5 million and \$210 million of preferred securities due March 31, 2048 and December 31, 2047, respectively. The securities are redeemable by the Corporation at any time on or after January 26, 2004 and October 22, 2003, respectively. Distributions on these securities are payable at annual rates of 9.04% and 9.50%, respectively, and are deductible for tax purposes by the Corporation. The after-tax distributions are charged to reinvested earnings. The Corporation may, subject to certain conditions, elect to defer distributions for a period of up to 20 consecutive quarters. No distributions relating to the securities have been deferred to date.

The Corporation may elect to pay the maturity amount, the redemption amount and the deferred distributions by delivering to a trustee, preferred shares, common shares or other equity securities of NOVA Chemicals. The trustee would then sell the delivered securities and pay cash to the holders of the preferred securities. The principal amount has been classified as equity as the Corporation has the unrestricted ability to settle the amount by issuing its own equity securities.

12 | RETRACTABLE PREFERRED SHARES

In connection with the acquisition of styrenics assets from Huntsman Corporation on December 31, 1998, a subsidiary of the Corporation issued retractable preferred shares with a liquidation preference of \$198 million as partial consideration. The retractable preferred shares were redeemable for cash or preferred shares in a subsidiary of the Corporation on or after January 1, 2004, and were retractable by the holders of the shares into common shares of NOVA Chemicals (plus preferred shares of NOVA Chemicals if the market value of such common shares is less than \$198 million) on or after April 1, 2001.

During 2001, certain changes were made to the terms of the preferred share and stockholder agreements giving NOVA Chemicals the right to call the preferred shares on or after December 15, 2001. These changes effectively provide NOVA Chemicals with the right to repurchase the preferred shares prior to any retraction into NOVA Chemicals' common shares. If NOVA Chemicals does not exercise its repurchase rights prior to April 1, 2003, the market-based exchange rate at which the preferred shares may be retracted into NOVA Chemicals' common shares (and, accordingly, the effective price at which the common shares would be issued) will be fixed on that date. The retraction, by holders of the shares, remains limited to a maximum of 8.5 million common shares of NOVA Chemicals with the balance of the obligation, if any, met through the issuance of NOVA Chemicals' preferred shares. The dividend rate on the preferred shares is 2% per year.

Coincident with making the above changes, NOVA Chemicals entered into a total return swap, which terminates on April 1, 2003, with respect to the retractable preferred shares. Under the terms of the total return swap: (i) the counterparty pays NOVA Chemicals the total return on the preferred shares (dividends plus positive changes in equity value of the preferred shares, capped at \$191 million until termination or sale at which time any such positive changes are not capped) and (ii) NOVA Chemicals pays the counterparty a spread to LIBOR as well as any negative changes in the equity value of the preferred shares.

NOVA Chemicals is obligated under the swap to provide margin (cash, government securities or a letter of credit) equal to 20% of the notional amount of \$191 million. If the equity value of the preferred shares decreases by 5% or more at any time, NOVA Chemicals is required to post additional margin. Changes in equity value of the preferred shares during the term of the swap will be determined based on changes in the average price of the outstanding 9.04% and 9.50% preferred securities issued by NOVA Chemicals (see note 11).

If NOVA Chemicals defaults on other debt of at least \$25 million, the closing price of the Corporation's common shares is \$9.00 or less, or S&P or Moody's reduces the Corporation's credit rating below BBB- or Baa3, respectively, and upon certain other credit events, the counterparty would have the right to sell the preferred shares to a third party and terminate the swap. NOVA Chemicals would then owe the counterparty the difference between the actual sale price received by the counterparty and the most recent adjusted notional equity value of the preferred shares (in the event the difference was negative). Subsequent to the termination of the swap, NOVA Chemicals may, at its option, repurchase the preferred shares for \$198 million plus accrued and unpaid dividends.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

13 | COMMON SHARES

AUTHORIZED

Unlimited number of voting common shares without par value.

ISSUED AND OUTSTANDING

(millions of dollars, except number of shares)	2001		2000		1999	
Beginning of year	84,884,333	\$460	92,543,746	\$497	92,152,719	\$492
Repurchased shares ¹	—	—	(8,000,000)	(41)	—	—
Issued for cash on exercise of stock options	894,455	12	340,587	4	391,027	5
End of year ²	85,778,788	\$472	84,884,333	\$460	92,543,746	\$497

1 NOVA Chemicals repurchased 8 million of its common shares on the Toronto Stock Exchange for \$150 million in 2000.

2 Stated common share capital for legal purposes at December 31, 2001 is \$1,664 million.

SHARES RESERVED FOR FUTURE ISSUE

December 31 (number of shares)	2001		2000		1999	
Under the employee incentive stock option plan ¹	11,993,987		12,888,442 ²		8,538,674	
Under the director compensation plan	47,800		47,800		47,800	
Under the terms of the retractable preferred share agreement (note 12)	8,500,000		8,500,000		8,500,000	
	20,541,787		21,436,242		17,086,474	

1 Under the employee incentive stock option plan, options are outstanding to officers and employees to purchase 8,558,109 shares at prices ranging from \$14.247 to \$36.000 (Canadian \$) per share with expiration dates between February 25, 2003 and August 15, 2011. A total of 3,435,878 common shares are reserved but unallocated. See note 14 for further details of the plan.

2 On May 15, 2000, shareholders approved an increase in the number of common shares reserved for issuance under the employee incentive stock option plan to 13 million common shares.

EARNINGS PER SHARE

The following table outlines the calculation of basic and diluted earnings (loss) per share using the treasury stock method:

Year ended December 31 (millions of dollars, unless otherwise noted)	2001		2000		1999	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss)	\$ (128)	\$ (128)	\$ 302	\$ 302	\$ 253	\$ 253
Preferred securities dividends and distributions	(33)	(33)	(36)	(36)	(36)	(36)
Net income (loss) available for common shareholders	(161)	(161)	266	266	217	217
Add back preferred share dividends	—	—	—	14	—	14
Net income (loss) available to common shareholders	\$ (161)	\$ (161)	\$ 266	\$ 280	\$ 217	\$ 231
Weighted average common shares outstanding	85.4	85.4	88.7	88.7	92.5	92.5
Add dilutive effects ¹						
Stock options	—	—	—	1.2	—	1.3
Convertible preferred shares	—	—	—	8.5	—	8.5
Weighted average common shares for earnings per share calculation	85.4	85.4	88.7	98.4	92.5	102.3
Net income (loss) per common share	\$ (1.88)	\$ (1.88)	\$ 3.00	\$ 2.84	\$ 2.35	\$ 2.26

1 Convertible preferred shares and stock options representing 16 million common shares have been excluded from the computation of diluted earnings per share for the year ended December 31, 2001 as their impact would be anti-dilutive.

SHAREHOLDER RIGHTS PLAN

In May 1999, NOVA Chemicals' shareholders approved a shareholder rights plan where one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the commencement or announcement of a takeover bid for NOVA Chemicals' common shares or until a person acquires 20% or more of NOVA Chemicals' common shares. The plan expires in May 2009 but is subject to shareholder re-confirmation at the third and sixth annual meetings following the date of approval.

14 STOCK-BASED COMPENSATION PLAN

EMPLOYEE INCENTIVE STOCK OPTION PLAN

The Corporation may grant options to its employees for up to 13 million common shares. The exercise price of each option equals the closing market price on the Toronto Stock Exchange of the Corporation's common stock on the date of grant. Options may be exercised over a 10-year period and generally 25% of the options vest at the grant date with further vesting of 25% in each of the next three years.

A summary of the status of the Corporation's employee incentive stock option plan as of December 31, 2001, 2000 and 1999, and changes during the years ending on those dates is presented below:

	2001		2000		1999	
Incentive Options	Shares	Weighted Average Exercise Price (Canadian \$)	Shares	Weighted Average Exercise Price (Canadian \$)	Shares	Weighted Average Exercise Price (Canadian \$)
Outstanding at beginning of year	8,003,725	\$24.762	6,833,957	\$24.152	5,566,918	\$23.444
Granted	1,547,350	\$28.182	1,612,900	\$26.762	1,706,050	\$25.100
Exercised	(894,455)	\$21.813	(340,587)	\$21.182	(391,027)	\$17.857
Cancelled	(98,511)	\$28.267	(102,545)	\$27.490	(479,984)	\$27.053
Outstanding at end of year	8,558,109	\$25.648	8,003,725	\$24.762	6,833,957	\$24.152
Options exercisable at year-end	5,404,057	\$24.193	5,022,804	\$23.125	4,024,874	\$22.008

Had NOVA Chemicals expensed the fair value of stock options vested during 2001, compensation expense of \$6 million would have been recorded (2000—\$9 million and 1999—\$9 million). See note 24 for additional information.

The following table summarizes information about employee incentive stock options outstanding at December 31, 2001:

Range of Exercise Prices (Canadian \$)	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (Canadian \$)	Number Exercisable	Weighted Average Exercise Price (Canadian \$)
\$14.247–\$18.376	634,005	2.5	\$16.676	634,005	\$16.676
\$20.234–\$21.225	1,158,563	4.5	\$20.745	1,158,563	\$20.745
\$24.950–\$36.000	6,765,541	7.6	\$27.328	3,611,489	\$26.619
	8,558,109			5,404,057	

15 | DEFERRED SHARE UNIT PLANS

Under the Corporation's Deferred Share Unit Plans (DSUP) adopted in 1999, key employees and directors may elect on an annual basis, prior to the relevant performance period, to receive all or a portion of their management incentive award or fees, respectively, in deferred share units (DSUs).

The amount of the management incentive award that a key employee elects to have participate in the DSUP will be converted to an equivalent number of DSUs based on the average closing price of NOVA Chemicals' common shares for the last five consecutive trading days of the month of December prior to the performance period.

The amount of fees that a director elects to have participate in the DSUP will be converted to an equivalent number of DSUs based on the average closing price of NOVA Chemicals' common shares for the last five consecutive trading days preceding the end of each fiscal quarter in which the fees are earned.

The units are exercisable upon retirement or termination (both voluntary and involuntary) from the Corporation. A summary of the status of the Corporation's deferred share unit plans as of December 31, 2001, 2000 and 1999, and changes during the years ended on those dates is presented below:

	2001		2000		1999	
Employee Deferred Share Units	Units	Weighted Average Purchase Price (U.S. \$)	Units	Weighted Average Purchase Price (U.S. \$)	Units	Weighted Average Purchase Price (U.S. \$)
Cumulative amount at beginning of year	280,454	\$ 15.88	156,446	\$13.14	—	—
Earned	91,063	\$ 18.48	124,008	\$19.35	156,446	\$13.14
Redeemed	(19,124)	\$ 16.52	—	—	—	—
Cumulative amount at end of year	352,393	\$ 16.52	280,454	\$ 15.88	156,446	\$13.14

	2001		2000		1999	
Non-Employee Directors Deferred Share Units	Units	Weighted Average Purchase Price (Canadian \$)	Units	Weighted Average Purchase Price (Canadian \$)	Units	Weighted Average Purchase Price (Canadian \$)
Cumulative amount at beginning of year	27,806	\$29.24	15,539	\$30.13	—	—
Earned	16,234	28.34	23,288	\$28.45	15,539	\$30.13
Redeemed	—	—	(11,021)	\$28.83	—	—
Cumulative amount at end of year	44,040	\$28.91	27,806	\$29.24	15,539	\$30.13

The amount expensed related to the award of units in aggregate was approximately \$5 million (2000—\$4 million, 1999—\$5 million).

16 | RESTRUCTURING CHARGES

During the fourth quarter of 2001, NOVA Chemicals took several actions to streamline its operations and reduce costs. Equipment that was no longer needed was shut down and certain capital projects were cancelled, resulting in asset write-offs of \$10 million. NOVA Chemicals also provided for \$17 million in severance and other costs related to staff reductions and relocations, of which \$14 million is included in other accrued liabilities (see note 8). The Corporation expects these restructuring actions to be substantially complete by mid-2002.

Restructuring charges in 2000 and 1999 related to organizational changes involving plant closures, write-downs of certain non-productive assets, severance and relocation costs. All actions related to these restructuring activities have been completed.

17 | OTHER GAINS

Year ended December 31 (millions of dollars)	2001		2000		1999	
	Before-Tax	After-Tax	Before-Tax	After-Tax	Before-Tax	After-Tax
Gain on sale of investment in Dynegy Inc.	\$—	\$—	\$32	\$21	\$347	\$184
Loss on hedges of former economic exposures (note 23)	—	—	—	—	(95)	(60)
IRS Settlement	58	44	—	—	—	—
Other	—	—	—	—	(1)	(1)
	\$58	\$44	\$32	\$21	\$251	\$123

In 2001, NOVA Chemicals recognized a gain of \$58 million (\$44 million after-tax) related to a resolution of disputes with the Internal Revenue Service (IRS).

18 | INCOME TAXES

Income tax (recovery) expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income (loss) before income taxes as shown in the following table:

Year ended December 31 (millions of dollars)	2001	2000	1999
Income (loss) before income taxes	\$(211)	\$433	\$484
Statutory income tax rate	42.12%	44.62%	44.62%
Computed income tax (recovery) expense	\$ (89)	\$193	\$216
Increase (decrease) in taxes resulting from:			
Manufacturing and processing deduction	4	(29)	(8)
Foreign tax rates	25	(4)	(27)
Lower effective tax rate on equity in (earnings) losses of affiliates	(3)	(5)	5
Non-provision of future income taxes on cost-of-service operations ¹	8	9	5
Lower tax rate on gain related to tax settlement ²	(10)	—	—
Income tax rate adjustments ³	(17)	(29)	—
Lower tax basis on Dynegy Inc. investment	—	—	33
Non-deductible depreciation	—	—	9
Other	(1)	(4)	(2)
	\$ (83)	\$131	\$231
Current income tax (recovery) expense	\$ (79)	\$ 38	\$137
Future income tax (recovery) expense	(4)	93	94
	\$ (83)	\$131	\$231

¹ Certain agreements for cost-of-service operations provide for the recovery of income taxes from customers. The Corporation records income tax expense on these operations equal to the amounts recoverable under the agreements, resulting in no effect on net income. Some agreements limit the recoverable amount to current taxes payable. Accordingly, the provision for income taxes excludes future income tax recoveries relating to these operations. Cumulative unrecorded future income taxes payable amounted to \$13 million at December 31, 2001 (\$17 million at December 31, 2000 and \$26 million at December 31, 1999).

² NOVA Chemicals recorded a \$58 million gain (\$44 million after-tax) related to a settlement with the IRS.

³ As a result of Canadian federal and provincial tax rate reductions in 2001 and 2000, income tax rates on future tax liabilities have been reduced.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

The principal temporary difference in calculating future income taxes, for both cost-of-service and non-cost-of-service operations, relates to deductions for tax purposes in respect of plant, property and equipment in excess of depreciation provided for in the accounts.

Year ended December 31 (millions of dollars)	2001	2000	1999
Income (loss) before income taxes			
Canadian	\$ (19)	\$402	\$ 17
Foreign	(192)	31	467
	\$(211)	\$433	\$484
Current income tax (recovery) expense			
Canadian	\$ (46)	\$ 25	\$ 46
Foreign	(33)	13	91
	(79)	38	137
Future income tax (recovery) expense			
Canadian	18	77	(13)
Foreign	(22)	16	107
	(4)	93	94
Total income tax (recovery) expense	\$ (83)	\$131	\$231

19 | CHANGES IN NON-CASH WORKING CAPITAL

Year ended December 31 (millions of dollars)	2001	2000	1999
Accounts receivable	\$ 89	\$(225)	\$ 122
Inventories	254	(153)	(100)
Accounts payable and accrued liabilities	(180)	54	90
Changes in non-cash working capital	163	(324)	112
Reclassification and other items not having a cash effect	(1)	(123)	(128)
Changes in non-cash working capital having a cash effect	\$162	\$(447)	\$ (16)
These changes relate to the following activities:			
Operating activities	\$184	\$(260)	\$ 53
Investing activities	(16)	(186)	17
Financing activities	(6)	(1)	(86)
	\$162	\$(447)	\$ (16)

INTEREST AND INCOME TAX PAYMENTS

Third-party interest payments were \$108 million in 2001 (2000—\$106 million and 1999—\$89 million). Income tax payments (receipts) were \$(13) million in 2001 (2000—\$207 million and 1999—\$148 million).

20 | EMPLOYEE FUTURE BENEFITS

PENSION PLANS

NOVA Chemicals sponsors both defined benefit and defined contribution pension arrangements.

Defined benefit pensions at retirement are mainly related to years of service and remuneration during the last years of employment and are partially indexed to inflation for some plans. Actuarial reports are prepared regularly by independent actuaries for accounting and funding purposes. The Corporation funds the plans using a valuation based on the projected unit credit method and the plans' assets consist primarily of publicly traded equity and fixed income securities.

Plan assets are measured at fair value while pension obligations are discounted using current yield rates of bonds with terms to maturity that approximate the duration of the Corporation's pension liabilities.

Pension and post-retirement expense for all significant plans, included in operating and selling, general and administrative costs, consisted of the following:

Year ended December 31 (millions of dollars)	Pension Plans			Post-Retirement Plans		
	2001	2000	1999	2001	2000	1999
Current service cost	\$ 17	\$ 13	\$ 15	\$ 1	\$ 1	\$ 1
Interest cost on projected benefit obligations	26	21	20	3	3	2
Expected return on plan assets	(25)	(22)	(19)	—	—	—
Net total of other components	—	(8)	(3)	2	1	1
Net pension expense	\$ 18	\$ 4	\$ 13	\$ 6	\$ 5	\$ 4

The status of all significant pension and post-retirement plans is as follows:

Year ended December 31 (millions of dollars)	Pension Plans			Post-Retirement Plans		
	2001	2000	1999	2001	2000	1999
Change in benefit obligations:						
Benefit obligation at beginning of year	\$372	\$286	\$256	\$ 38	\$ 31	\$ 27
Current service cost	17	13	15	1	1	1
Interest cost	26	21	20	3	3	2
Experience (gain) loss	9	28	(4)	10	6	1
Plan amendments	—	9	—	—	—	—
Business combination ¹	—	45	—	—	—	—
Settlement/curtailment ²	—	(7)	—	—	—	—
Special termination benefits	2	—	1	1	—	—
Employee contributions	2	2	1	—	—	—
Benefits paid	(21)	(14)	(18)	(2)	(2)	(1)
Foreign currency exchange rate changes	(19)	(11)	15	(1)	(1)	1
Net benefit obligation at end of year	\$388	\$372	\$286	\$ 50	\$ 38	\$ 31
Change in plan assets:						
Market value of plan assets at beginning of year	\$357	\$300	\$271	\$ —	\$ —	\$ —
Actual return on plan assets	27	22	19	—	—	—
Employer and employee contributions	10	10	8	—	—	—
Business combination ¹	—	43	—	—	—	—
Settlement/curtailment ²	—	(7)	—	—	—	—
Experience gain (loss)	(24)	16	—	—	—	—
Benefits paid	(21)	(14)	(18)	—	—	—
Foreign currency exchange rate changes	(18)	(11)	20	—	—	—
Net total of other components	(2)	(2)	—	—	—	—
Fair value of plan assets at end of year	\$329	\$357	\$300	\$ —	\$ —	\$ —
Funded status:						
Plan assets in excess (deficiency) of benefit obligation	\$ (59)	\$ (15)	\$ 14	\$ (50)	\$ (38)	\$ (31)
Unrecognized net transitional (asset) obligation	(48)	(55)	(2)	10	12	11
Unrecognized prior service cost	9	9	11	—	—	—
Unrecognized net actuarial (gain) loss	49	22	(61)	14	5	1
Net amounts recognized in the consolidated balance sheets	\$ (49)	\$ (39)	\$ (38)	\$ (26)	\$ (21)	\$ (19)
Assumptions as at December 31:						
Discount rate	%6.4	70	75			
Assumed long-term rate of return on plan assets	%7.8	75	75			
Rate of increase in future compensation	%3.8	4.5	4.5			

1 The benefit obligations and plan assets assumed in the Shell acquisition are reflected beginning in 2000.

2 Effective January 1, 2000, NOVA Chemicals offered a defined contribution arrangement to its Canadian employees. Employees could opt to convert their defined pension benefits accumulated under certain Canadian plans to the new defined contribution option under the plan on an irrevocable basis. This change was accounted for as a settlement of a portion of the defined benefit arrangements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

NOVA Chemicals maintains multiple pension plans including several plans for which accumulated benefit obligations exceed the fair value of assets. The accumulated benefit obligation and the fair value of assets for these plans were \$305 million and \$246 million, respectively, at December 31, 2001 (\$63 million and \$30 million, respectively, at December 31, 2000). CICA accounting standards require this disclosure on a prospective basis beginning, January 1, 2000.

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Corporation provides medical care and life insurance benefits to eligible retirees and their dependents in North America. Post-retirement costs are funded as they are incurred. The following assumptions were used in the determination of obligations regarding post-retirement benefits other than pensions:

	2001		2000		1999	
	Canadian	U.S.	Canadian	U.S.	Canadian	U.S.
Salary and wage escalation rates	%3.0	3.0	4.5	4.2	4.5	4.2
Long-term medical inflation	%4.5	5.0	4.5	4.75	4.5	5.15
Discount rate to calculate post retirement benefit obligation	%6.5	7.25	7.0	7.5	7.5	7.9

A 1% increase in the medical inflation rate would have increased the accumulated post-retirement benefit obligation by an additional \$2.3 million at December 31, 2001 for Canadian plans and \$4.3 million for U.S. plans. A 1% decrease in the same medical inflation rate would have decreased the post-retirement benefit obligation by \$2.0 million and \$3.5 million for Canadian and U.S. plans, respectively.

The Corporation accrues the cost of providing post-retirement benefits as the employees provide services.

DEFINED CONTRIBUTION ARRANGEMENTS

NOVA Chemicals has a number of defined contribution arrangements providing pension benefits to certain groups of employees. The total expense for the Corporation's contribution to these plans in 2001 was \$6 million (2000—\$7 million and 1999—\$5 million).

21 | CONTINGENCIES AND COMMITMENTS

Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management that final determination of these claims will not materially affect the financial position or operating results of the Corporation.

The Corporation leases office space and transportation equipment under various operating leases. The minimum lease payments are approximately \$537 million in total, with annual amounts of \$43 million in 2002, \$40 million in 2003, \$38 million in 2004, \$33 million in 2005, \$33 million in 2006, and \$350 million thereafter.

The Corporation has entered into agreements for the purchase of minimum amounts of feedstock and other raw materials for short and long-term supply. The resulting obligations, based on year-end market prices, are approximately \$4,385 million in total, with annual amounts of \$954 million in 2002, \$518 million in 2003, \$437 million in 2004, \$418 million in 2005, \$407 million in 2006, and \$1,651 million thereafter.

In addition to the future site cleanup and restoration costs which have been accrued (notes 8 and 10), costs will be incurred in the future for plant sites when they are sold or are no longer used in the Corporation's operations. The liability with respect to these costs is not currently determinable.

22 | SEGMENTED INFORMATION

The Corporation determines its reportable segments based on the structure of its operations, which are primarily focused in two principal business segments—olefins/polyolefins and styrene/polystyrene (styrenics). These operations involve the production and marketing of ethylene and polyethylene resins, and styrene monomer and polystyrene resins, respectively.

FINANCIAL INFORMATION BY BUSINESS SEGMENT

Year ended December 31, (millions of dollars)	2001	2000	1999
Revenue			
Olefins and polyolefins	\$2,014	\$2,228	\$1,671
Styrenics	1,306	1,859	1,273
Other	8	7	—
Intersegment eliminations	(134)	(178)	(136)
	\$3,194	\$3,916	\$2,808
Depreciation			
Olefins and polyolefins	\$ 132	\$ 86	\$ 80
Styrenics	98	102	75
	\$ 230	\$ 188	\$ 155
Operating income (loss)			
Olefins and polyolefins	\$ 57	\$ 439	\$ 305
Styrenics	(226)	93	18
Restructuring charges and other	(26)	(118)	(18)
	\$ (195)	\$ 414	\$ 305
Net income (loss)			
Olefins and polyolefins	\$ (2)	\$ 258	\$ 167
Styrenics	(181)	42	(12)
Equity investments, corporate and other	55	2	98
	\$ (128)	\$ 302	\$ 253
Plant, property and equipment additions			
Olefins and polyolefins	\$ 125	\$ 401	\$ 565
Styrenics	43	39	55
	\$ 168	\$ 440	\$ 620
December 31 (millions of dollars)	2001	2000	1999
Assets			
Olefins and polyolefins	\$1,960	\$2,198	\$1,832
Styrenics	1,638	1,937	1,491
Investment in Methanex	397	400	377
Dynegy Inc. proceeds receivable/investment in Dynegy Inc.	—	—	709
Corporate and other ¹	364	219	150
	\$4,359	\$4,754	\$4,559

¹ Amounts include all cash and cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Year ended December 31 (millions of dollars)	2001	2000	1999
Revenue ¹			
Canada	\$1,236	\$1,318	\$ 934
United States	1,408	1,805	1,478
Europe and other	550	793	396
	\$3,194	\$3,916	\$2,808
Export sales from Canadian operations			
United States	\$ 694	\$ 801	\$ 739
Europe and other	137	206	150
	\$ 831	\$1,007	\$ 889
Operating income (loss) ²			
Canada	\$ (75)	\$ 409	\$ 226
United States	(31)	(4)	59
Europe and other	(89)	9	20
	\$ (195)	\$ 414	\$ 305
Equity in earnings (losses) of affiliates			
Canada	\$ 14	\$ 32	\$ (48)
United States	—	—	37
	\$ 14	\$ 32	\$ (11)
December 31 (millions of dollars)			
Assets ²			
Canada	\$2,237	\$2,467	\$2,053
United States	1,189	1,242	1,810
Europe and other	520	578	296
Equity investment	413	467	400
	\$4,359	\$4,754	\$4,559

1 Based on location of customer.

2 Based on location of the operating facilities.

23 FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENT FAIR VALUES

Financial instrument fair values represent a reasonable approximation of amounts NOVA Chemicals would have received or paid to counterparties to unwind positions prior to maturity. At December 31, 2001, NOVA Chemicals has no plans to unwind these positions prior to maturity. The carrying amounts represent the receivable or payable recorded in the balance sheets. The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, bank loans, accounts payable and accrued liabilities approximate their fair value. NOVA Chemicals does not have a significant exposure to any individual customer or counterparty. Fair values and carrying amounts for long-term debt and derivative instruments are disclosed below.

December 31 (millions of dollars)	2001	2000	1999	2001	2000	1999
				Carrying Amount		Estimated Fair Value ¹
Long-term debt ²	\$1,508	\$1,423	\$1,525	\$1,410	\$1,389	\$1,469

1 The fair value of long-term debt is based on quoted market prices, where available. If market prices are not available, fair values are estimated using discounted cash flow analyses, based on NOVA Chemicals' current incremental borrowing rates for similar borrowing arrangements.

2 Includes debt installments due within one year.

DERIVATIVES AND HEDGING INSTRUMENTS

NOVA Chemicals sells petrochemical products at prices denominated in various currencies, purchases energy commodities, invests in foreign operations and issues short and long-term debt, including amounts in foreign currencies. These activities result in exposures to fluctuations in foreign currency exchange rates, commodity prices and interest rates. NOVA Chemicals manages its exposures by entering into contractual arrangements (derivatives) which reduce (hedge) the exposure by creating offsetting positions. The estimated fair values represent only the value of the hedge component of these transactions and do not consider the value of the contracted and anticipated transactions that are being hedged.

FOREIGN EXCHANGE RISK MANAGEMENT

NOVA Chemicals has U.S., Canadian and European-based petrochemical operations. A portion of the Corporation's expenses is established in Canadian dollars. NOVA Chemicals reduces its exposure to fluctuations in the Canadian/U.S. dollar exchange rate by using forward exchange contracts. The outstanding forward contracts to deliver U.S. dollars and receive Canadian dollars are as follows:

December 31 (millions of dollars unless otherwise noted)	2001	2000	1999
Foreign exchange forwards			
Notional amount	\$ 640	\$1,235	\$1,868
Average exchange rate per Cdn dollar	\$0.70	\$ 0.70	\$ 0.70
Estimated fair value ¹	\$ (86)	\$ (108)	\$ (95)
Carrying value (see notes 8 and 10)	\$ (19)	\$ (57)	\$ (95)

1 Unrealized gain (loss). The fair values of these instruments are estimated based on quoted market prices of comparable contracts, adjusted for maturity differences.

Effective December 31, 1999, the Corporation changed its functional currency to the U.S. dollar. The underlying U.S. dollar exposure originally being hedged by forward contracts then in place no longer existed. As a result, the Corporation wrote off the estimated fair value of these hedges at December 31, 1999. This resulted in a \$95 million before-tax (\$60 million after-tax) charge to earnings, being the difference between the average contracted (74 cents) and average forward (70 cents) exchange rates on the hedging contracts in the program. The loss was included in other gains and losses in the consolidated statement of income and as a deferred credit on the balance sheet (see notes 8, 10 and 17).

Effective January 1, 2000, NOVA Chemicals redesignated its forward contracts as hedges of Canadian dollar costs. The hedged rates equal the forward rates as of December 31, 1999 and average one Canadian dollar = U.S. 70 cents over the hedging period, which extends to March 2003. Approximately \$50 million U.S. equivalent of Canadian dollar costs per month has been hedged during this period.

COMMODITY PRICE RISK MANAGEMENT

NOVA Chemicals uses commodity futures to hedge a portion of its exposure to price fluctuations on crude oil, refined products and natural gas transactions. The instruments are used to moderate the risk of fluctuations in feedstock prices by protecting against adverse short-term price movements. Occasionally, longer-term positions will be taken to manage price risk for anticipated supply requirements. They are not used for speculative purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

At December 31, 2001, 2000, and 1999, the notional volume and estimated fair value of outstanding derivative contracts for natural gas are as follows:

December 31		2001	2000	1999
Pricing swaps				
Notional volume	GJ millions	12.0	15.2	68.4
Weighted average price per GJ	Cdn.	\$6.89 ²	\$1.84 ³	\$2.53 ³
Estimated fair value ¹	U.S. millions	\$ 21	\$ 34	\$ 21
Carrying value	U.S. millions	\$ —	\$ —	\$ —
Term to maturity	Months	1-10	1-12	12-24
Basis swaps				
Notional volume	mcf millions	3.0	19.8	23.0
Weighted average basis differential per mcf	U.S.	\$ 0.02 ⁴	\$0.35 ⁵	\$0.56 ⁵
Estimated fair value ¹	U.S. millions	\$ (1)	\$ 3	\$ 6
Carrying value	U.S. millions	\$ —	\$ —	\$ —
Term to maturity	Months	1-10	1-12	12-24
Purchased options				
Notional volume—calls	mcf millions	20.5	19.2	23.5
Notional volume—puts	mcf millions	36.6	—	—
Weighted average price per mcf—calls	U.S.	\$4.93	\$7.48	\$2.41
Weighted average price per mcf—puts	U.S.	\$2.67	\$ —	\$ —
Estimated fair value ¹	U.S. millions	\$ 6	\$ 36	\$ —
Carrying value	U.S. millions	\$ —	\$ —	\$ —
Term to maturity	Months	1-22	1-3	3-9

1 Unrealized gain (loss).

2 The Corporation pays floating prices and receives a fixed price from the counterparty.

3 The Corporation pays fixed prices and receives a floating price from the counterparty.

4 The Corporation will pay or receive the difference between the NYMEX market price and the U.S. export market price, plus a fixed differential established in the contract.

5 The Corporation will pay or receive the difference between the market price for intra-Alberta gas delivery and the export market price, less a fixed differential established in the contract.

At December 31, 2001, 2000 and 1999, the notional volume and estimated fair value of outstanding derivative contracts for crude oil, refined products, and alternative feedstock are as follows:

December 31		2001	2000	1999
Notional volume	bbls millions	10.8	4.8	1.8
Weighted average price per bbl ¹	U.S.	\$29.05	\$26.97	\$18.72
Estimated fair value ²	U.S. millions	\$ (4)	\$ 6	\$ 1
Carrying value	U.S. millions	\$ —	\$ —	\$ —
Term to maturity	Months	1-60	1-12	1-12

1 Crude oil swaps, options, collars.

2 Unrealized gain (loss).

INTEREST RATE RISK MANAGEMENT

During 2001, NOVA Chemicals entered into interest rate swap agreements to manage its interest rate price risk exposure on certain fixed-rate debt. The agreements involve the receipt of fixed-rate amounts in exchange for floating-rate LIBOR based payments over the terms of the related debt. A series of interest rate swaps on \$650 million of fixed-rate debt were crystallized during the year, resulting in a gain of \$27 million (see note 10). Subsequently, the Corporation entered into additional interest rate swaps to secure floating rates based on a spread to LIBOR on \$550 million of fixed-rate debt. The fair value of the interest rate swaps at December 31, 2001 is a \$14 million unrealized loss (2000 and 1999—\$nil). The swaps expire in 2009.

CREDIT RISK MANAGEMENT

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which NOVA Chemicals is entitled to receive payment of an unrealized gain fails to perform. NOVA Chemicals only transacts with counterparties having a minimum credit rating of A for its foreign exchange and interest rate instruments and a minimum credit rating of BBB for its commodity risk management instruments. A limit on contingent exposure has been established for each counterparty based on the counterparty's credit rating. Credit exposure is managed through credit approval and monitoring procedures. NOVA Chemicals does not anticipate any counterparties will fail to meet their obligations. At December 31, 2001, 2000,

and 1999, NOVA Chemicals' credit exposure was \$nil for foreign currency and interest rate instruments, and \$27 million (2000—\$89 million and 1999—\$31 million) for commodity-based instruments.

Concentration of credit risk relates primarily to the Corporation's receivables, as certain customer groups are located in the same geographic area and operate in the same industry. The Corporation manages its credit risk relating to these receivables through credit approval and monitoring procedures.

24 UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Corporation prepares its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP), which, in some respects, are different from those used in the United States. The effect of these differences on the Corporation's consolidated net income (loss) and balance sheet are as follows:

Year ended December 31 (millions of dollars)	2001	2000	1999
Net income (loss) in accordance with Canadian GAAP	\$ (128)	\$ 302	\$ 253
Add (deduct) adjustments for:			
Start-up costs ¹	(11)	(6)	—
Foreign exchange derivative instruments and hedging activity ²	14	(31)	157
Other derivative instruments and hedging activity ²	10	—	—
Future income taxes ³	29	(29)	—
Inventory costing ⁴	(2)	6	(12)
Preferred securities distributions ⁵	(23)	(23)	(22)
Equity in earnings (losses) of affiliates ⁶	1	(10)	(4)
Gain on sale of Dynegy Inc. ⁶	—	—	(6)
Other	1	2	(2)
Net income (loss) in accordance with U.S. GAAP	\$ (109)	\$ 211	\$ 364
Net income (loss) per share using U.S. GAAP—basic	\$ (1.39)	\$ 2.23	\$ 3.78
—diluted	\$ (1.39)	\$ 2.14	\$ 3.57
Comprehensive income (loss) ⁷			
Net income (loss) in accordance with U.S. GAAP	\$ (109)	\$ 211	\$ 364
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	(140)	(88)	85
Fair value of cash flow hedging instruments ²	(30)	—	—
Equity in comprehensive earnings (losses) of affiliate ⁶	(4)	—	—
Comprehensive income (loss) in accordance with U.S. GAAP	\$ (283)	\$ 123	\$ 449
Accumulated other comprehensive income (loss) ⁷			
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	\$ (200)	\$ (60)	\$ 28
Fair value of cash flow hedging instruments ²	(30)	—	—
Equity in comprehensive earnings (losses) of affiliate ⁶	(4)	—	—
Accumulated other comprehensive income (loss)	\$ (234)	\$ (60)	\$ 28
December 31 (millions of dollars)	2001	2000	1999
Balance sheet items in accordance with U.S. GAAP			
Current assets ^{2,4,8}	\$ 716	\$1,108	\$1,295
Investments and other assets ^{1,6}	496	412	561
Plant, property and equipment (net) ¹	3,131	3,267	3,061
Current liabilities ^{2,8}	(725)	(765)	(1,008)
Long-term debt ²			
Preferred securities ⁵	(383)	(383)	(383)
Other long-term debt	(1,323)	(1,406)	(1,140)
Deferred credits ^{2,3}	(771)	(782)	(838)
Retractable preferred shares	(198)	(198)	(198)
Common shareholders' equity	\$ 943	\$1,253	\$1,350

1 **Start-up Costs.** Canadian GAAP provides that when an entity starts up a new facility, expenditures incurred during the pre-operating period may be deferred when certain criteria are met. Under U.S. GAAP, all costs (except interest on constructed assets) associated with start-up activities must be expensed as incurred. See Note 6 for information on the Corporation's start-up costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVA CHEMICALS CORPORATION

2 Derivative Instruments and Hedging Activities. Canadian GAAP does not require the recognition of derivative instruments on the consolidated balance sheet at fair values. Under U.S. GAAP, entities must follow the recommendations of Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities".

On January 1, 2001, the Corporation adopted these recommendations for U.S. GAAP purposes, which require the recognition of all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Adopting these recommendations resulted in the recognition of a gain from the cumulative effect of an accounting change of approximately \$50 million (after-tax) in other comprehensive income.

The adoption of the new standard for U.S. GAAP reporting has eliminated one Canadian-U.S. GAAP difference relating to foreign exchange losses on anticipated transactions while creating certain other differences related to commodity-based and other derivative instruments used by the Corporation. For information regarding the Corporation's use of derivatives and hedging activities, see note 23.

3 Future Income Taxes. Canadian GAAP permits the recognition of the impact of changes in tax laws and rates on the measurement of future income tax assets and liabilities in the period in which the tax laws and rates are considered to be substantively enacted. Under U.S. GAAP rules, the impact of tax rate changes on future income tax assets and liabilities is only recognized on enactment of the change in tax law and rates.

4 Inventory Costing. Canadian GAAP allows fixed overhead costs associated with production activities to be expensed during the period whereas U.S. GAAP requires an allocation of fixed production overhead to inventory.

5 Compound Financial Instruments. Canadian GAAP requires the classification and recording of a financial instrument, or its component parts, as a liability or equity in accordance with the substance of the contractual arrangements governing the instrument. U.S. GAAP requires that no portion of the proceeds from issuance of convertible debt securities be attributed to the conversion feature and classified as equity. Accordingly, the Corporation's preferred securities discussed in Note 11 are accounted for as debt under U.S. GAAP and the related distributions as interest expense.

6 Equity in Earnings (Losses) of Affiliates. NOVA Chemicals' share of adjustments to financial information and results of equity investments to comply with U.S. accounting principles.

7 Comprehensive Income. U.S. GAAP Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" requires the presentation of a statement containing the components of comprehensive income and the accumulated balance of other comprehensive income. Comprehensive income includes all changes in equity during the period including items that are not in net income. This statement is not required under Canadian GAAP.

8 Accounts Receivable Securitizations. During 2001, the Canadian GAAP standard pertaining to accounting and reporting transfers of financial assets was amended. The standard is now substantially the same as the U.S. GAAP standard contained in SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125". Accordingly, in 2001, the Corporation's Canadian accounts receivable securitization program qualifies for off-balance sheet treatment as under Canadian GAAP. This program did not meet the off-balance sheet criteria in 2000 and 1999.

OTHER DISCLOSURES

Stock-based Compensation

SFAS No. 123 "Accounting for Stock-Based Compensation" defines a fair value based method of accounting for employee stock options and encourages the use of this method to account for stock compensation plans. It does, however, permit an entity to continue to measure compensation cost using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB 25). Entities using the intrinsic method must disclose pro forma net income (loss) and net income (loss) per share assuming the fair value method had been applied. NOVA Chemicals has elected to follow APB 25 and related interpretations in accounting for employee stock options. Options are issued at the market price on date of grant and therefore, under APB 25, no compensation expense has been recorded.

The SFAS 123 pro forma calculations include those options granted after 1997 under NOVA Chemicals' Stock Option Plan and vested at the respective year-end date. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock options granted in 2001, 2000, and 1999.

Weighted-average assumptions		2001	2000	1999
Expected dividend yield	%	1.0	1.0	1.0
Expected volatility	%	39.6	42.5	65.1
Risk-free interest rate	%	5.65	5.58	5.88
Expected life	years	2 1/2	2 1/2	1 1/2
Weighted average fair value of options granted during the year	U.S.	\$5.16	\$5.36	\$5.85

The following table outlines the impact on the Corporation's U.S. GAAP results, had compensation expense for the stock option plan been determined based on the fair value method as prescribed under SFAS 123:

Year ended December 31 (millions of dollars, unless otherwise noted)	2001	2000	1999
Net income (loss)			
As reported	\$ (109)	\$ 211	\$ 364
Pro forma	\$ (115)	\$ 202	\$ 355
Basic net income (loss) per share			
As reported	\$(1.39)	\$2.23	\$3.78
Pro forma	\$(1.46)	\$2.13	\$3.69
Diluted net income (loss) per share			
As reported	\$(1.39)	\$2.14	\$3.57
Pro forma	\$(1.46)	\$2.05	\$3.48

U.S. ACCOUNTING DEVELOPMENTS

In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets", effective January 1, 2002, which requires that new and existing goodwill and certain intangible assets not be amortized, but tested annually for impairment. Accordingly, in 2002, Canadian and U.S. GAAP standards will be harmonized. Statement No. 142 is not expected to have a material impact on the Corporation's financial position as NOVA Chemicals has allocated any purchase price discrepancy to tangible assets.

In June 2001, the FASB issued Statement No. 143 "Accounting for Asset Retirement Obligations". This statement requires the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of the fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The requirements are effective for fiscal years beginning on or after June 15, 2002. The effect of this pronouncement on NOVA Chemicals' financial position and the resulting Canadian-U.S. GAAP differences, if any, are yet to be determined.

In August 2001, the FASB issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Statement No. 144 is effective for NOVA Chemicals' 2002 fiscal year and is not expected to have a material impact on the Corporation's financial position.

25 | SUBSEQUENT EVENTS

In January 2002, NOVA Chemicals sold its 20% interest in the Cochin Pipeline for cash proceeds of \$64 million, resulting in an after-tax gain of \$35 million.

CORPORATE GOVERNANCE INFORMATION

The governance of NOVA Chemicals is the responsibility of the Board of Directors and is delivered by four committees of the Board and NOVA Chemicals' Executive Leadership Team, comprising senior management.

NOVA Chemicals has a long history of strong corporate governance. With NOVA Chemicals' increasing national and international development, and the globalization of the commodity chemical businesses, the directors and management have established forward-looking governance policies that are regularly evaluated and modified to ensure effectiveness.

NOVA Chemicals is aligned with the corporate governance guidelines of the Toronto Stock Exchange. The one exception to NOVA Chemicals' alignment with the guidelines relates to a recommendation that there be clearly stated mandates for the Board and the Chief Executive Officer. While NOVA Chemicals' Chief Executive Officer and Chairman have specific mandates, NOVA Chemicals' Board has plenary power. Any responsibility that is not delegated to NOVA Chemicals' senior management or a committee of the Board remains with the full Board. NOVA Chemicals believes this is an appropriate arrangement given the respective responsibilities of the Board committees and senior management.

The Board of Directors is responsible for making significant decisions regarding the business and affairs of NOVA Chemicals and establishes the overall policies and standards for the Corporation. The Board of Directors and the committees of the Board meet on a regularly scheduled basis. In addition, communications between the directors and management occur apart from regularly scheduled Board and committee meetings.

COMMITTEES OF THE BOARD

AUDIT, FINANCE AND RISK

This committee reviews and inquires into matters affecting the financial reporting of NOVA Chemicals; the system of internal accounting and financial controls and procedures; NOVA Chemicals' financial audit procedures and plans; recommends the approval of the issuance of debt securities; oversees the policies and practices of NOVA Chemicals relating to risk management strategies; recommends to the Board the appointment and remuneration of the external auditors and approves the mandate and appointment of internal

auditors; is responsible for the proper and orderly funding administration and investment of the trust funds associated with savings, profit sharing and pension plans; and reviews with management and reports to the Board, annually, on the financing plans and objectives of NOVA Chemicals. Members include: Messrs. Hawkins (Chairman), Dineen, Ludwick, Newall (ex-officio), and Thompson and Mrs. Rennie.

CORPORATE GOVERNANCE

This committee is responsible for the composition, compensation and governance of the Board of Directors of NOVA Chemicals and recommends nominees for election or appointment as directors. This committee is also responsible for maintaining an effective working relationship between the Board of Directors and NOVA Chemicals' management. Members include: Messrs. Newall (Chairman), Blumberg, Dineen, Fortier and Stanford.

PUBLIC POLICY AND RESPONSIBLE CARE

This committee is responsible for overseeing the policies and practices of NOVA Chemicals relating to its Responsible Care audit and the environment, occupational health and safety, communications, corporate contributions, public policy matters and NOVA Chemicals' relationship with all of its stakeholders. Members include: Dr. Boer (Chairman) and Messrs. Bougie, Fortier, Ludwick, Newall (ex-officio) and Thompson and Mmes. Creighton and Rennie.

HUMAN RESOURCES

This committee is responsible for overseeing policies and practices of NOVA Chemicals with respect to human resources. It reviews recommendations for senior executive appointments and the terms and conditions of their employment; and considers employment terms such as succession planning and compensation. It recommends awards under the Employee Incentive Stock Option Plan (1982) or Equity Appreciation Plan and is also responsible for the proper and orderly administration of NOVA Chemicals' savings, profit sharing and pension plans, other than matters relating to the funding and investment of the plans' trust funds. Members include: Mr. Stanford (Chairman), Dr. Boer, and Messrs. Blumberg, Hawkins and Newall (ex-officio).

OTHER CORPORATE ACTIVITIES

TECHNOLOGY ADVISORY COMMITTEE

In 1996, a Technology Advisory Committee was created to advise NOVA Chemicals on its research strategy and programs. The Technology Advisory Committee consists of two NOVA Chemicals' directors, Dr. Boer and Mr. Blumberg (Co-Chairs); Mr. Christopher Pappas, Senior Vice President and President, Styrenics of NOVA Chemicals;

Mr. Paul Clark (Co-Chair), Vice President, Research and Technology of NOVA Chemicals; Mr. Gerry Dyer, retired Research and Development Director, DuPont Canada Inc.; and two world-renowned research scientists: Dr. Musa Kamal, Professor, McGill University; and Dr. Kurt Zilm, Professor, Yale University.

RESPONSIBLE CARE INFORMATION

The Responsible Care® program is the chemical industry's voluntary environmental, health and safety performance improvement initiative. NOVA Chemicals was one of the founding members of the Responsible Care program when it began in 1984. The Responsible Care program is built around a set of guiding principles and codes of practice, which require program participants to commit to the responsible management of the total life cycle of their products.

OUR VISION

We will be a leader in the worldwide chemical industry, in terms of our performance in and commitment to Responsible Care. Our ultimate goal is to operate businesses without harm to people, property and the environment.

OUR OBJECTIVES

We will achieve superior performance in key Responsible Care areas, including health and safety in our facilities and within our communities, product life-cycle management, waste management, emissions control and regulatory compliance.

LEADERSHIP

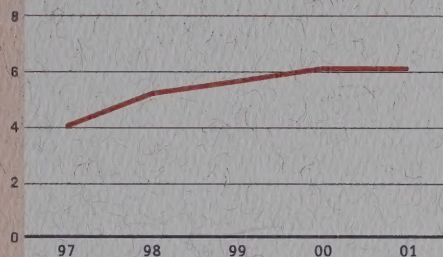
The Responsible Care program is integral to our way of doing business and is a line accountability. Our Responsible Care Council, a company-wide leadership team that reports to the Executive Leadership Team, oversees our Responsible Care systems, processes and results.

THE FUTURE

Continuous improvement is the foundation of Responsible Care. We will focus on seeking ways to achieve increasingly higher levels of performance in all areas. NOVA Chemicals produces a Responsible Care Annual Report that includes additional information on our full slate of Responsible Care measures. You can access this document through our website at www.novachemicals.com. If you do not have access to the Internet, please contact our Responsible Care group at (412) 490-4040.

HAZARDOUS WASTE

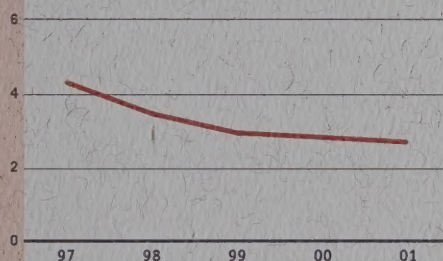
Thousands of tonnes



Wastes are managed through process improvements and waste reduction initiatives. Waste disposal increased due to the addition of nine new facilities acquired in the 1999 Huntsman and 2000 Shell acquisitions. Our generation of hazardous waste in reference to our unit production, however, has continuously improved.

HYDROCARBON EMISSIONS TO AIR

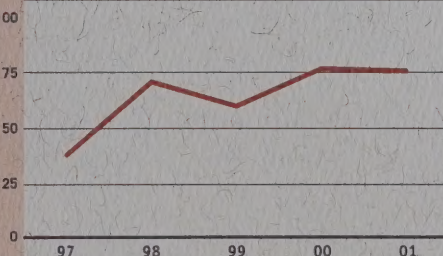
Thousands of tonnes



Reduction in our hydrocarbon emissions has been facilitated through the application of improved technology and diligence on leak detection and repair activities.

RESPONSIBLE CARE AUDIT PERFORMANCE

Percent audit opinions ranking within the highest categories



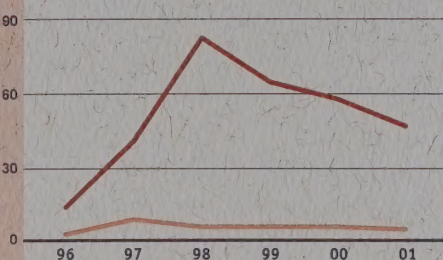
In 2001, 17 Responsible Care audits were conducted to measure our operational performance against five levels of compliance. These audits measure compliance with regulatory and internal health, safety and environmental requirements.

* Responsible Care audits conducted for benchmarking purposes at facilities which have not been previously audited, have not been included in the Responsible Care Audit performance data reported for 2001.

CRITICAL AND MAJOR INCIDENTS

Number of incidents

■ Critical incidents
■ Major incidents

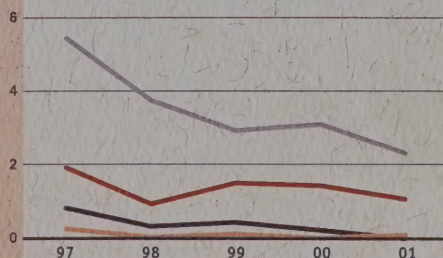


Incidents are grouped into four categories, depending on their potential health, safety and environmental impact. Critical and major incidents are the two most serious categories. The apparent increase post-1997 was due to a significant lowering of our reporting threshold at that time, to provide improved data for preventive measures decision making.

INJURY-ILLNESS

Number of cases x 200,000 hours / number of hours worked

■ Employee TRCR
■ Employee AWCR
■ Contractor TRCR
■ Contractor AWCR



NOVA Chemicals believes that all work-related injuries and illnesses are preventable and uses an Incident Learning Process to track all incidents related to occupational safety.

1 AWCR (Away from Work Case Rate) represents work-related injuries/illnesses that result in individuals requiring time off work.

2 TRCR (Total Recordable Case Rate) represents work-related injuries/illnesses that are more serious in nature than first aid.

SHAREHOLDER INFORMATION

ANNUAL MEETING

Shareholders are invited to attend NOVA Chemicals' annual meeting on May 16, 2002, at 10:30 a.m. at The Fairmont Palliser Hotel in Calgary, Alberta.

SHAREHOLDER INFORMATION

For inquiries on stock-related matters, including dividend payments, stock transfers and address changes, contact NOVA Chemicals toll-free at 1-800-661-8686, Monday through Friday, from 8 a.m. to 5 p.m., Mountain Time or via e-mail to: shareholders@novachem.com.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company
600 The Dome Tower
333 Seventh Avenue S.W.
Calgary, Alberta, Canada T2P 2Z1

Phone: (403) 232-2400
Toll-free: 1-800-387-0825
Fax: (403) 264-2100

Internet: www.cibcmellon.ca
E-mail: inquiries@cibcmellon.ca

NON-RESIDENT INVESTORS

Dividends paid to non-resident shareholders are subject to Canadian withholding tax, generally at the rate of 15% for the United States and other countries where Canadian tax treaties apply, and 25% for non-treaty countries. Certain exemptions or refunds may be available to residents of the United States and other countries where Canadian tax treaties apply. Please consult your tax advisor for more information.

SHARE REGISTRATION

NOVA Chemicals' common shares are listed on the New York and Toronto Stock Exchanges under the trading

symbol "NCX." On December 31, 2001, approximately 86 million common shares were outstanding and there were some 19,000 registered shareholders. NOVA Chemicals' common shares are transferable at the Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal and Halifax offices of CIBC Mellon Trust Company. The common shares are also transferable at Mellon Investor Services LLC, New York, New York.

RAPPORTS ANNUELS EN FRANÇAIS

On peut obtenir un exemplaire de ce rapport en français auprès du service des affaires publiques ou du service des relations avec les investisseurs au (403) 750-3600 au (412) 490-4000.

REQUESTS FOR ADDITIONAL INFORMATION

For copies of NOVA Chemicals' quarterly reports, or additional copies of this annual report, contact NOVA Chemicals at (403) 750-3600, (412) 490-4000 or via e-mail to: publications@novachem.com.

HOW TO CONTACT NOVA CHEMICALS

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Telephone: (412) 490-4000

Internet: www.novachemicals.com
E-mail: invest@novachem.com

PUBLIC AFFAIRS AND INVESTOR RELATIONS

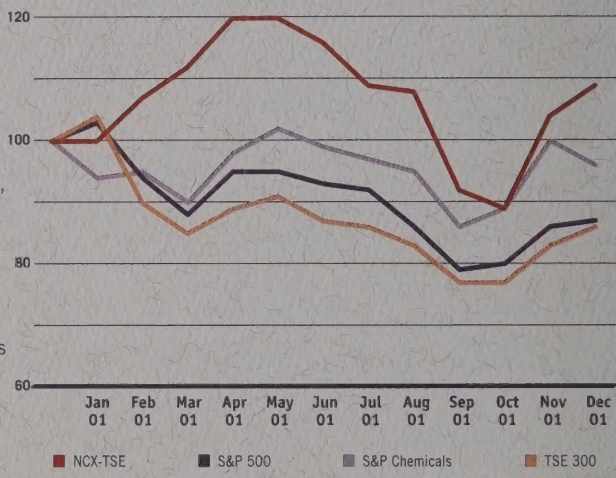
1-866-ASK-NOVA ~ Pittsburgh

SHAREHOLDER RELATIONS

1-800-661-8686 ~ Calgary

SHARE PRICE

NOVA Chemicals' share price increased 9% in Canada on the Toronto Stock Exchange in 2001 and 2% in the U.S. on the New York Stock Exchange. This compares to a 13% decline in the S&P 500, a 4% decline in the S&P Chemicals Index and a 14% decline in the TSE 300.



NOVA CHEMICALS' SHARE PRICE HISTORY

	2001	2000	1999
Dividends paid (Canadian dollars)	\$ 0.40	\$ 0.40	\$ 0.40
Market price (TSE) (Canadian dollars)			
High	\$37.90	\$37.20	\$35.25
Low	\$23.25	\$22.00	\$19.95
Close	\$30.75	\$28.10	\$28.25
Market price (NYSE) (U.S. dollars)			
High	\$24.70	\$25 1/16	\$ 24 1/16
Low	\$14.86	\$15 3/8	\$ 13
Close	\$19.27	\$18 13/16	\$ 19 7/16
Common dividend yield	1.3%	1.4%	1.4%
Shares outstanding			
Year-end (millions)	86	85	93
Average (millions)	85	89	93
Shareholders at year-end (thousands)	19	20	23

TRADEMARK INFORMATION



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ZYNTAR™ is a trademark of NOVA Chemicals Inc.

NOVA Chemicals



NOVA Chemicals®

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